

Treasury Sours Its Tax Compromise By Surprise Switch To '50 Formula

By ROBERT B. MITCHELL

WASHINGTON—The big turnout of insurance representatives at the House Ways and Means subcommittee hearing on life company income taxation got a jolt right at the start when the first witness, Treasury Undersecretary Fred C. Scribner Jr., disclosed that the Treasury wanted to use the 1950 taxation formula as the basis for the "half-and-half" compromise basis recently offered by the treasury.

This would result in a very much higher tax on the companies than if the plan devised by President Walter O. Menge of Lincoln National Life, or the present stop-gap basis, on which Treasury and industry discussions had been based, were used in computing the tax on the half-and-half basis. On the assumption that the Menge basis would be used as a starting point, a number of life company executives had favored the Treasury's compromise suggestion, which would tax a company half of the net investment income basis, favored by American Life Convention and Life Insurers Conference, and half on the total income approach favored by the Treasury and the Temporary Committee on Taxation of Mutual Life Insurance Companies.

Treasury sources indicated that its disconcerting switch in position was due to finding that the use of the Menge or stop-gap plan would not result in collecting the amount of revenue it felt the life companies should

pay in the aggregate. The Treasury supplied examples of how its combination tax plan would work. As an illustration it used a company with a million dollars of net investment income and \$350,000 of what the Treasury considers "net operating income." If the company needed 70% of investment earnings to meet its policy interest requirements (70% is about the current average for the industry) the tax would be \$163,500. If the figure for policy interest requirements were 80%, the tax would be \$137,500. If the 1942 formula were in effect it would impose a tax on such a company of \$121,744. Under the present stop-gap law the tax on the company would be \$72,500, except that if the special small-company relief provision were applicable the tax would be only \$59,500. The Treasury testimony started off innocently enough.

Mr. Scribner's statement caused no

reaction while he was reviewing the history of life company taxation. But after saying that most people in the business agree that a permanent formula should contain provisions to reach companies having large underwriting profits, but little if any investment income, he let loose with this:

Regarded As Synonymous

"There is also opinion within the industry which regards the investment income basis and the 85% deduction permitted by the 1955 stop-gap formula as synonymous. We do not share that opinion. In the area of investment income, a realistic formula would take into account the actual difference between interest required for policy contracts and the amounts the companies in fact earn on investments."

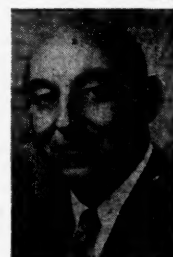
"There are a number of other in-

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Zimmerman Scores High Early Cash Value Contracts

Tells LIAMA Meeting They Are Inconsistent With Equity To Policyholders

President Charles J. Zimmerman of Connecticut Mutual Life, in his talk



C. J. Zimmerman

at the LIAMA annual meeting in Chicago, hit out hard at the high early cash value policies that are the keystone of the minimum deposit plan of selling life insurance. Alleged abuses in connection with this type of sale—particularly surrendering of old insurance—will be the subject of a conference called by the New York department for Dec. 5.

Conceding that there are legitimate uses of the minimum deposit plan, Mr. Zimmerman said his company does not issue a high cash value policy—the type in which the first-year cash values either equal or closely approximate the full reserve—though it has been under study for two years. Competition from companies issuing such contracts has generated tremendous pressures from some of Connecticut Mutual's agents who have lost cases or felt themselves forced to sell a competing company's policy to save a sale but Connecticut Mutual's position is still against issuing such a contract.

Reasons For Opposition

"We cannot answer for our competition as to how it can issue such a contract," he said. "We can only answer for ourselves as to why we have not issued such a contract and have no plans for issuing a full cash value policy . . . One of the indispensable principles of any life insurance company must be that it take no action,"

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N.Y. State Assn. Divorces Itself From Consequences Of Jumbo Group

Stating that the record and the underwriting practices of the companies issuing large individual group amounts "makes us draw the conclusion that they have gone beyond the point of return," the New York State Assn. of Life Underwriters at its fall meeting at Lake Placid placed itself on record as divorcing itself of responsibility for the high limit cases being written and to "remain separated from the consequences this practice may eventually bring on our business."



L. J. Montani

The recommendation on which the delegate body acted was made by President L. J. Montani, assistant manager of Metropolitan Life at Plattsburgh.

Recounting a long list of futile efforts to get a per-life limit restored after the \$20,000 ceiling was removed in New York in 1951, Mr. Montani said:

Pushed Beyond \$500,000

"During this seven-year history, the writing of maximum amounts of group term life insurance has been aggressively promoted from the former legislative limit of \$20,000 per life to \$500,000 per life. Even this limit has been pushed upward by the device of several life insurance companies each writing a substantial amount of 'times annual earnings.' They do so with the full knowledge that as many as four other life companies are superimpos-

ing a like amount on the individual at the same time . . . The companies seem unable to either establish rules that prudent men will abide by themselves or to acquiesce in any to be established by the legislature."

Mr. Montani also mentioned that the association's general committee is disturbed over the "wholesale raiding of cash values in life insurance contracts to accomplish a sale of new insurance or to invest in common stocks."

"We in the agency forces of this industry cannot sell only for the sale," he said. "We cannot become servicemen for diversified investors. If we are to survive, we believe that cash value life insurance is a form of property that does more for our client than any other form of property will do."

The association unanimously adopted the following legislative projects:

1. Adoption of the model "gift to

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Shanks Offers Tests New Tax Should Meet

WASHINGTON—Analyzing the type of stock-mutual dilemma in which the life insurance business finds itself with respect to federal income taxes, President Carol M. Shanks of Prudential offered a five-point list of objectives that should be sought and against which any solution should be tested. Regarding the dilemma he said:

"If we resort to a tax distributed in proportion to net investment income and, at the same time, try to redress the present inequities that exist between life insurance stockholders and stockholders in other businesses, we put an unconscionable burden on the mutual policyholder. If we resort to a total income type of tax, we can do a fair job of equalizing the position of life insurance stockholders and stockholders generally, but we create a possible competitive advantage in favor of the mutual company over the stock company just because of the built-in flexibility afforded by the redundant premium and the policy dividend."

Discussing the nature of the competitive dislocation that might be brought about by the imposition of a total income type of tax on a non-participating stock company on the one

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to celebrate the silver anniversary of the company's planned estates service.

William T. Bolton, manager of Home Life at Philadelphia and president of the company's managers' association, left, turns over three silver Paul Revere bowls to William P. Worthington, president, center, and John H. Evans, vice-president in charge of sales. Bowls will be presented to three leading agencies at the end of the year

O'Connor Says Forand Bill Again On Way; Calls For Action Now

The reintroduction of the Forand bill can be expected in the next congress, and the insurance business should begin taking action right now, E. H. O'Connor, managing director of Insurance Economics Society of America, stated in a talk before the Cleveland Life General Agents & Managers Assn. and the A&H Assn. last week.

It is perhaps a step in the right direction to provide old people with hospitalization and medical care, but from past experience with government social welfare programs it is obvious that such a step would be only the beginning, and eventually the same benefits would be extended to all workers covered under social security regardless of age, Mr. O'Connor said.

Noting that "strangely enough" the act has been amended during every congressional election year since 1950, the speaker said that while he agrees with the original principle of social security, and the business is not opposed to "any legislative or any government measures which look to the welfare of the people," the program must bear some sensible relationship to what the country can pay or afford when the true costs mature. The over-expansion of the system may mean eventually that it is "no longer secure," he said.

Calls System 'No Bargain'

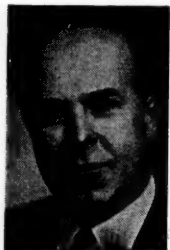
Referring to the "questionable financial condition of the OASI trust fund," Mr. O'Connor stated that the system is "no bargain." For years the maximum social security tax an employee could pay was \$30. By 1958 this amount had reached \$94.50. Under the new schedule it will be \$120 in 1959, and in 1969 the tax on the self-employed will reach \$324. These figures are based on "the hope that the tax schedule will not be increased during this period," he said.

As to the "old cliché" that the system has played an important role in the growth of private life insurance during the past 20 years, Mr. O'Connor said the facts show that after the

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Excess Interest Scored As Sole Income Tax Base

WASHINGTON—Policyholders, who seek only protection for their families, should be taxed differently from life company stockholders, who are seeking profits, President Louis W. Dawson told the internal revenue subcommittee of the House ways and means committee Tuesday.



Louis W. Dawson

"We want policyholders of both types of companies treated the same," he said, "but a policyholder and a stockholder are two entirely different things, with entirely different purposes in mind when they put their money into a life insurance company."

Mr. Dawson, who with four other spokesmen appeared for a group of 24 mutual companies having more than 20 million policyholders, contended that a mutual company has no underwriting profits because unneeded premiums deposits are returned to the policyholders as an adjustment of the cost of their insurance. He emphasized that mutual policyholders are not investors seeking profits but have the sole purpose of obtaining insurance protection at cost.

Represents 20 Million

Mr. Dawson spoke as chairman of the Temporary Committee on Taxation of Mutual Life Insurance Companies, in support of HR 13707, introduced in the closing days of the last session of Congress by Rep. McCormack of Massachusetts at the committee's request. The bill and the reasons why the committee is seeking the measure as a separate basis for taxing mutual life companies, have been described in THE NATIONAL UNDERWRITER at various times in recent months.

The bill provides and the committee favors a form of the total income approach for taxing mutual life companies. The committee takes this course as a practical matter, though on prin-

ciple contending for investment income as being the only true income of a mutual life company. Mr. Dawson cited the heavy load on mutual companies in state and federal taxes, on which the combined rate has risen 99% since 1945, while the dollars paid in federal taxes have risen 1,000%—"five times as fast as the insurance business has grown."

When both federal and state levies are considered, the "axes on mutual life companies are about three times as great as the average tax on comparable thrift institutions, such as mutual savings banks and mutual savings-and-loan associations, Mr. Dawson said. However, the mutual group is not seeking a tax reduction but said the McCormack bill provides for at least the same level of taxation on life insurance though under "an equitable and permanent formula" and eliminates certain inconsistencies in the present tax pattern.

For example, it would stop double taxation of income from individual annuities, income options, and funds left on deposit by the policyholder. Another section would eliminate discrimination between insured and uninsured pension

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Insurance A 'Sturdy Oak' But It Can Be Killed: Pritchard

President Oren D. Pritchard of National Assn. of Life Underwriters, in his talk at the annual meeting of LIAMA at Chicago, likened the insurance business to a sturdy oak, with the agency system as its roots, but warned that continuance of certain practices can, by attacking the root system, stunt the tree's growth or even kill it completely.



Oren D. Pritchard

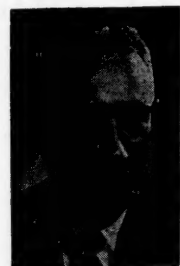
"Good, healthy roots will continue to grow for many years and develop new and possibly healthier ones," he said. "But these roots must be properly fed, lest they become weak for lack of nourishment and the trunk wither and die."

"Is this root system being fed sufficient knowledge, given sufficient training, taught the fundamentals, given proper sustenance, to survive? Or is its strength being diluted through overemphasis on volume even though such mushroom growth can but create soft spots in the great trunk? Timbermen can, by looking at the rings of a trunk, tell not only the age but the years when soft and pithy growth took place."

As damaging to the "roots" of the business, Mr. Pritchard mentioned such things as twisting, excessive group amounts, term-on-term, minimum deposit plan abuses, direct writing, cutting commissions and "allowing big buyers to practically set their own rates." He also urged the restraining of inflation and social security.

Going Multi-Line Means Major Mental Emotional Changes

Indications are increasing that multiple-line underwriting is here to stay but "the management team of either group who enters the other field must be prepared to make some major mental and emotional adjustments," said Benjamin N. Woodson, president of American General Life, at the annual meeting of LIAMA in Chicago.



B. N. Woodson

"There is," he pointed out, "a fundamentally different type of agency compensation, there are fundamentally different investment policies in the lines of business, there are the problems of administration which arise when life men become new executive officers in fire and casualty, and vice versa. There are new problems of agency training, problems of executive authority, of cost allocation, and the big one: The problem of agency philosophy of agency systems."

"When the fire and casualty company creates a life affiliate, will it tend to follow its American agency system traditions and expect the life man to be wholly independent? When the life company creates the fire and casualty company affiliate, will it allow the life agent to be totally independent in his fire and casualty relationships? And if so, will that change the life company's relationship to him as a life man; or, will it, following a natural inclination, expect that man to write fire and casualty only for the one affiliate? And, if so, will it become, by default, a direct writer, which may be contrary to the philosophy of the fire and casualty affiliate it acquires?"

Capital Gains Tax On Life Insurance Shouldn't Reach Back

WASHINGTON—Life insurance shouldn't be subjected to a capital gains tax at all, but if it is so taxed the basis for determining gains or losses should be the amortized value of the market value of assets on the effective date of the law, said Vice president George T. Conklin Jr., Guardian Life in his statement at the House Ways and Means subcommittee hearings.

"A capital gains tax as applied to bonds and mortgages or other any other type of fixed-income investments held by life insurance companies makes little sense as the term 'capital gain' is ordinarily employed," he said. "Capital gains in the true sense just do not arise on bonds and mortgages for a life company investor. It is only when we turn to real estate and common stock holdings of life companies that capital gain possibilities in a real sense exist."

However, holdings of stocks and real estate are small and such capital gains as there might be could easily be wiped out by capital losses.



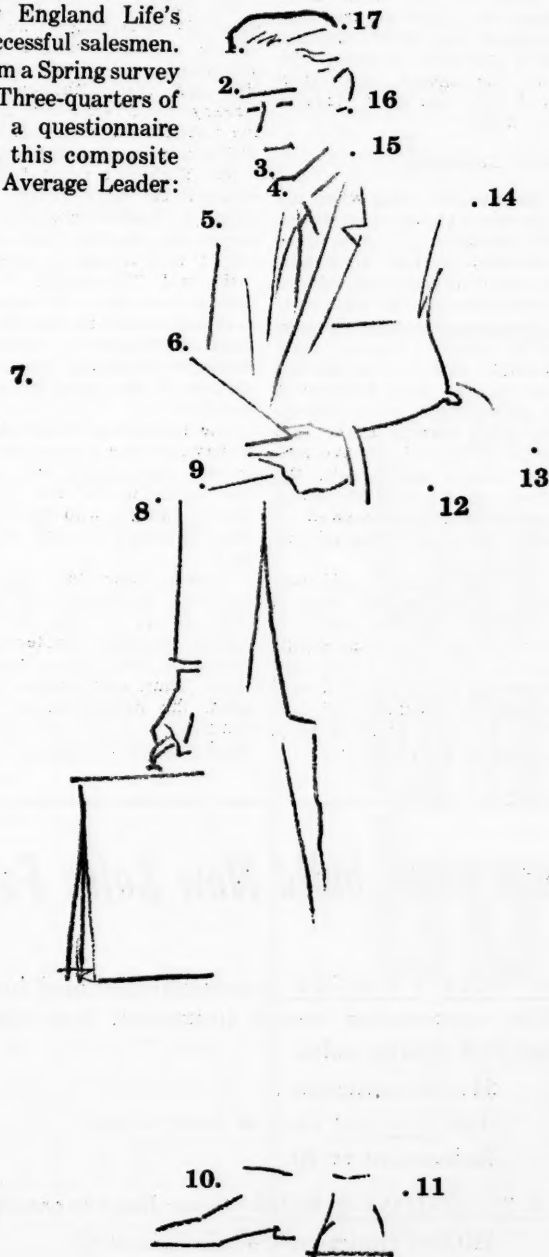
Shown at the traditional luncheon of Chicago Life Agency Managers held during the annual meeting in Chicago of LIAMA, from left, Alfred C. Thoma, Metropolitan, immediate past president; Maturin Bay, Prudential, secretary-treasurer; Jack Lawrence, Massachusetts Mutual, president—and from his company, Charles H. Schaaff, executive vice-president, the speaker, and James R. Martin, 2nd vice-president, both men being on from the home office for the LIAMA meeting, and Frank G. Lotito, Lincoln National Life, vice-president of the managers.

These 17 Points

make a picture of our "Leader"

Meet our Leader — typical member of the Leaders Association, New England Life's organization of its most successful salesmen.

His description comes from a Spring survey of the Leaders themselves. Three-quarters of the membership answered a questionnaire that helped us construct this composite salesman. Here then is Mr. Average Leader:



1. 41 years old

2. married

3. two children

4. annual income of \$17,686 from life insurance sales

5. attended college

6. has been with New England Life 10 years

7. believes in his product (and how!... his family is protected by \$95,580 of personal insurance)

8. completed his home study Training Course long ago

9. graduated from our Career Underwriting Training School

10. praises the sales and advertising material his company makes available

11. averaged 16 calls a week and turned 8 into interviews

12. insured 51 persons last year

13. he chalked up more than \$1,000,000 in sales last year (\$1,132,888 to be exact!)

14. is an Advanced Underwriter or a C.L.U., or is studying to become one

15. is active in community affairs

16. is a consistent National Quality Award winner

...and don't overlook point #17: Mr. Leader is unreservedly optimistic. He's looking forward to an even better year than last — which means the best year of his life. "Don't talk to me about a recession," (was a typical comment from the questionnaire). "I'm too busy making a good living to talk myself into a slump!"

NEW ENGLAND

Mutual **LIFE** Insurance Company
BOSTON, MASSACHUSETTS

THE COMPANY THAT FOUNDED MUTUAL LIFE INSURANCE IN AMERICA — 1835

RAINS WALLACE SAYS:

Evidence Lacking That Agents Like Multi-Line

Discussion of the future of multi-line selling has thus far been based on two assumptions, "the first of which (public demand) I believe to be untrue and the second (agent ability and willingness to provide all-line selling and service) I believe to be unproved," said S. Rains Wallace, LIAMA director of research, in his talk at the agency decisions forum during the LIAMA annual meeting in Chicago. Following is the text of his remarks:

A number of reasons have been or can be adduced for our life companies to increase their interest in the all-line method of distribution. Some of these reasons seem backed by logic, a very few by evidence, and some by neither. Before we embrace any of them too affectionately, we should certainly give them a searching look.

For example, we have heard a great deal in the past year about the demand of the public for all-line selling and even for one-stop service (a phrase which I believe to be one of the more execrable yet foisted upon us). This demand seems to exist more in proclamation by speakers rather than in evidence or reality.

In a recent study, we asked a sam-



S. Rains Wallace

ple of 500 household heads whether they thought life insurance agents sold other lines. About half thought they did and about half thought they did not. When we asked whether they thought it was a good thing for life insurance agents to sell other lines, most of those who believed that life agents specialized only in life thought that was good and most of those who thought that life agents sold other lines believed that was good. This is interesting in itself.

Reasons Were Surprising

But the real pay-off came when we asked the people who thought it was good for life agents to sell other lines why they thought so. Less than half said it was good because it provided a greater convenience to the public or because of one-stop service or because of any other similar reason. Surprisingly enough, quite a few did say they thought it was good because it helped the agent make more money. Thus, while it is nice to know that some members of the public have tender feelings toward our agents, the evidence does not support the notion of an overwhelming ground-swell of public opinion in favor of the all-line concept.

I hope I have not made myself misunderstood. I'm not saying that it wouldn't be better for the public to have all-line service, but I am saying that the public will have to be convinced that it is better, and it will take a great deal of teaching and selling to do this. At the moment, frankly,

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Better Understanding Of How A&S Coverage Aids Oldsters Urged

A coordinated program to improve public understanding of how voluntary health insurance helps finance the medical care costs of the nation's older age population was urged by Joseph F. Follmann Jr., director of information and research of Health Insurance Assn. of America, during his talk before the medical care section of American Public Health Assn. annual meeting in St. Louis.

Mr. Follmann stated that "the public generally is lacking in an awareness" of the purposes, nature and accomplishments of voluntary A&S coverage. He said that although much had already been achieved in educating the public on the subject, much more still can be accomplished.

Mr. Follmann pointed out that the number of older people with some form of health insurance has been increasing steadily and can be expected to continue to grow.

He said, "Generally, it is accepted that at least 40% of persons over 65 now have some health insurance coverage, although a recent study in Michigan indicated the insured proportion of the aged in that state to be 86%."

The percentage of persons over age 70 having some form of A&S coverage in 1956 was exactly the same, 30%, as the percentage of the entire population at all ages who had some form of A&S coverage in 1946, Mr. Follmann said.

Looking into the future of A&S coverage, he stated, "This generation will see to it that their voluntary health insurance protection is maintained in their years beyond retirement. Thus, with respect to the future aged, the proportion of insured will continue to grow and the uninsured aged problem to decline."

Put Heat On Congress To Curb Inflation, Oates Urges In Talk

NEW YORK—Inflation is not inevitable and responsibility for its control rests squarely with Congress, President James F. Oates Jr. of Equitable Society declared at the annual "trustees day" meeting of Brooklyn and Long Island City savings bank executives.

An average price rise of 1.5 to 2% per year is quite possible within the present framework of fiscal responsibility and political-economic conditions, Mr. Oates said, but he emphasized that even a 2% "creep" need not be condoned or permitted to continue.

"Forces that bring it about are man-made and are man-controllable," he said. "The acceptance of the inevitability of a continued price rise is not an acknowledgment of economic determinism but merely a political judgment that the will to control it has disappeared."

Government Sets Tone

"Our government sets the economic tone and climate for the country. Since the federal deficit is the harbinger of an increased money supply and later inflationary pressure, the crux of the anti-inflation fight must be waged first at the government level dictated by federal receipts."

Mr. Oates said that it is time to stop "fencing with windmills" and concentrate attention on the political scene where the malignancy of inflation originates.

"It is high time for business leaders, bankers, and insurance executives to be equally as active as union leaders in the affairs of government," he said. He urged leaders of the business and financial community to make certain that all congressmen understand fully the inflationary implications of their day-to-day legislative activities. They should be offered vigorous support when fostering public policies to preserve the integrity of the dollar, he said.

Ark. Insurers Merge

LITTLE ROCK—Pioneer Western Life of this city and Mississippi Valley Life of Jonesboro have merged, forming a company with \$15 million in force. Common stockholders of Pioneer Western—also the name of the continuing organization—received 10 shares of stock in the consolidated company and preferred stockholders received five shares for each former share. Mississippi Valley stockholders received new stock on a share for share basis. The consolidated company has \$800,000 assets, \$100,000 capital and \$337,000 net surplus and contingency reserves. Frank Whitbeck is president.

Oregon Council Elects Blakely

Newly elected president of the Oregon life insurance and trust council is G. Martin Blakely, field supervisor of Equitable Society. Other officers elected include G. M. Tretheway, treasurer; L. J. Evans, vice-president; L. J. Evans, National Mutual Life, treasurer; William J. Jones, assistant treasurer; First National Bank, secretary.

Prudential's downtown agency in New York has moved to 116 Wall Street. The office has been located at 40 Wall Street.



JAMES HAMILL, CLU,
GENERAL AGENT IN ROCHESTER, N.Y.

"Our men are setting new production records with the help of these two policies. Present clients and new prospects alike are impressed with the many extra features they contain."

6TH IN A SERIES INTRODUCING POSTAL'S
LEADING GENERAL AGENTS.

POSTAL LIFE

611 FIFTH AVENUE NEW YORK 17, NEW YORK
GEORGE KOLODNY, President

"These plans build New Sales Fast"

NEW "EQUITY BUILDER"—specially designed for split-dollar, corporation owned insurance, loan financed plans and similar sales.

\$40,000 minimum

High first year Cash or Loan values!

Endowment at 90

NEW "EXECUTIVE SPECIAL"—our low net cost special.

\$10,000 minimum—Whole Life at 90

Both policies have these features:

Full range of liberal Settlement Options!

Written sub-standard to 500% and up!

Low premium—participating!

Family Income and Term Riders can be added!

Issue ages 10-70! Competitive net costs!

Renewals are fully vested! No minimums, no penalties. You can qualify for free Group Insurance and continuous service fees!

J. HARRY WOOD SAYS:

Can't Compare Turnover Rate With 30 Years Ago

Comparison of agent turnover with what it was 30 years ago is meaningless and in fact completely erroneous because it fails to take into account the vastly different conditions that prevail today, said Managing Director J. Harry Wood at the LIAMA annual meeting in Chicago.

"Consider the kinds of agents we are comparing," he said. "The rather simple market we had a generation ago with a simple product meant that we could and did recruit primarily the hard-working extrovert, who could hit and run, so to speak—the one-interview policy sale, usually a burial or clean-up policy. 'Some of you younger fellows who are quite familiar with estate planning may find it difficult to realize that its forerunner, programing, blossomed only 25 years ago, and it was only 10 years earlier that Griffin Lovelace had developed the concept of need selling, which in turn made programing possible.'"

Higher Type Agent Needed

Mr. Wood pointed out that today the expanded markets and multiplied products, the better informed public and agents in general demand a higher, much higher type of agent. He must have more ability to learn new ideas, he must have more poise and bearing for these new, more complicated situations. He must have or be able to develop many skills—and still have most of the qualities of the old-time salesman who used to be recruited. The requirements of the job are higher and the type of man recruited is much higher.

Another important consideration is that the keeping of statistics is different and the speed with which new recruits may become a statistic has changed, said Mr. Wood.

"Back yonder in the '20s and '30s we recruited agents, and as long as they continued to give us a sale now and then they remained an agent and not a number in our turnover figures," he said. "Then for purposes of better supervision we began to eliminate more of the so-called deadwood."

"Then widespread financing of new agents became the accepted practice. Now early elimination became necessary."

Why Comparison Is Invalid

"So here you have in large part the answer to why turnover figures today can't be compared with those of 30 years ago. Do you disagree? Can you possibly disagree? If you do, not only as much of the research in selection and the development of the several new areas of management by the association been in vain, but most of the things you are currently doing in your own agency departments are useless, too."

"The real question is simply this: Wouldn't present turnover be immeasurably worse if it were not for the

work which has been done in these areas? It prompts us to recall something from 'Alice in Wonderland,' where the queen said to Alice, 'Now, here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run twice as fast as that.'"

"Perhaps this all leads me to the point of commenting on research—in general and in particular. This idea of research has mushroomed and exploded. There have been many more man-hours and dollars devoted to research in the last 10 years than in the entire history of man prior to 1948. If you doubt this statement, check with Arthur D. Little & Co., which has totted up the score."

Feel Twofold Frustration

"When some of us in the agency end of the business begin to think of the results of our own research (and here I include the entire organization, as well as the research work done in your own company), we feel a certain frustration and impatience for two

reasons: One is common to all business men; one is peculiar to your own field, distribution. First, the frustration common to all business men when dealing with research and researchers: The true research man is a scholar. Scholars typically defer decisions until the last shred of evidence is in, until knowledge is as complete as it is feasible to make it.

"The business man—you—on the other hand, cannot indefinitely defer decisions without in fact making them by default, for business is dynamic. You must constantly reach judgments without possession of all the facts. Both of you are right in seeing your jobs as you do. But the result to both groups is often a feeling of impatience, of frustration."

Perplexity Is Reaction

"Second, the feeling of perplexity as to why more is not accomplished sooner in distribution research. And this is as natural, in my opinion, as it is unrealistic. Natural, because you have only to open your eyes and see the results of research around you. You have only to read the newspapers to learn of more and better results

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Bankers L. & C. In Substandard Field

Bankers Life & Casualty is now accepting brokerage business in the substandard field.

William R. Stofft, formerly with Midland National Life, Watertown, S. D., has been appointed chief underwriter of the new department.

BLAC Underwriters agency of Chicago, headed by Ira Lipshutz and Ray Olsen, has been named supervisory general agents on a nationwide basis for substandard life business.

Southwestern Life Sets Record

Southwestern Life issued \$232,886,668 of new life insurance during the first nine months of 1958, a record for the company for the first three quarters of a calendar year. New business issued was more than \$44 million above that produced in the same 1957 period, which itself recorded a gain of more than \$20 million over 1956.

Directors authorized payment of a cash dividend of 45 cents per share on Jan. 9, 1959, to stockholders of record on Dec. 31, 1958.

Pacific Actuaries Elect G. F. Waites

Actuarial Club of the Pacific elected G. Frank Waites of Coates, Herfurth & England as president at the fall meeting at Pebble Beach, Cal. Other new officers are A. L. Buckman, Beneficial Standard, vice-president, and David Goddard, Marsh & McLennan-Cosgrove & Co. Meno Lake, Occidental of California, and Leo Nordquist, West Coast Life, were named to the executive committee.

Interest was shown in the problems of financing new agents, general agents and managers at a discussion lead by Mr. Buckman, Marcus Gunn, California-Western States Life, and Melvin A. Engenman, United American Life. It was recognized that actuaries should work more closely with their agency departments in developing financing plans which will meet current requirements.

Reviews Trends In Major Medical

Trends in major medical and comprehensive coverages were reviewed. Donald Rholl, Milliman & Robertson, emphasized the need for consistency in the rate structures of plans with different types of benefits. Paul Barnhart, Occidental Life of California, outlined the advances made by local medical associations in assisting in the development of workable medical and surgical plans.

The impact of recent changes in the social security law was discussed by Allen Arnold, Milliman & Robertson, while B. H. Hazlehurst, Pacific Mutual, outlined the problems involved in complying with the new federal welfare and pension plans disclosure act. Robert Little, Coates, Herfurth & England, lead the discussion on the subject of benefits for widows under pension plans.

Francis M. Hope, a charter member of the club, drew on his long experience in the actuarial profession to comment on the new guaranteed insurability policies presently being offered by the life insurance industry.

one of the
best
and
one of the
busiest

Comparable year-to-date figures show that Central Life's sales have consistently run well ahead of the life insurance industry as a whole. There are several reasons why this is so—and Central Life agents agree that an important one is *true graduated premium* on all plans (except single premium). The quantity discount idea, first introduced in the United States by Central Life in 1955, is another example of the sales-minded leadership that's making one of the best one of the busiest, too!

Central Life

ASSURANCE COMPANY, DES MOINES 6, IOWA
Progressive and competitive, yes . . . but not

at the expense of financial security

ASSETS	\$160 Million
SURPLUS	\$13 1/2 Million
INSURANCE IN FORCE	\$520 Million

Vital Role Of Communication Stressed In Forum At LIAMA Annual Convention

The vital role of effective communication procedures in sales training and all aspects of sales management came in for full discussion during the annual meeting of LIAMA at Chicago. This part of the program was sponsored and staged by the committee on education and training, under the chairmanship of Karl Kreder, 2nd vice-president of Metropolitan.

In his opening remarks, Mr. Kreder discussed the trend to increasingly mechanized operations and the effect of this on good communication. Making the point that "we can have a serious communication problem unless we control our mechanization," Mr. Kreder advocated a course that would "mechanize in the right places so that we will be free to personalize in those areas where no machine will ever be able to replace the human touch."



Karl H. Kreder

Mr. Kreder's point was amplified by the second speaker, George D. Covell, agency vice-president of Berkshire, who explained and demonstrated a relatively new mechanical training technique—the loop film—which, he said, "can be personal as well as efficient."

Dramatic Skit Put On

Another feature of the program was a dramatic skit, "Keep 'em in Orbit," which demonstrated the need and value for sound and continuous agent training and which featured LIAMA's agent development program. Participating in the skit were three LIAMA staff members, G. Fred Affleck, administrator of the agent development program; Fred G. Jarvis and John A. Miller.

The skit was introduced by Clifford L. Morse, agency vice-president of Phoenix Mutual, who recommended the agent development program not only as an effective training procedure, but also as a means of promoting effective communications between management and men.

LIAMA's director of executive

training, William O. Cummings, then discussed communications from the standpoint of training and developing home office agency department executives. He described progress in an executive training program LIAMA plans to launch at an undetermined future date.

Concluding speaker was Ralph G. Nichols, professor of speech and chairman of the department of rhetoric at University of Minnesota. Described as "a pioneer in scientific research on all aspects of listening," Mr. Nichols spoke on "Listening is Good Business."

'Chain Of Understanding'

Said Mr. Kreder: "The best definition of communication I've seen is by Bill Oucken, management development director of the New York Central, who says that 'communication is the chain of understanding that integrates an organization from top to bottom and from bottom to top.'"

"Note that phrase, 'chain of understanding.' It sounds very much like another one with which we're all familiar, 'chain of command.' But they aren't the same. It's possible to have a chain of command without a chain of understanding and that's a tragedy."

"The point I want to make is that while a chain of command is easy to design and a chain of understanding difficult, unless you have the latter supporting the former, little can be accomplished."

Uses Tape Recorders

"Five or six years ago, Metropolitan sent a tape recorder to every district office. We felt it would be an effective training aid. Shortly thereafter, we sent along tapes on the two or three basic sales talks. We felt then, as we do now, that all this can be very helpful. But suppose the assistant manager, instead of using these tapes as guides and aids and instead of working personally with the agent and helping him perfect his talks, simply says: 'The sales talks are on the tapes. Listen to them and say them that way.' Then he's failed to personalize the agent's training. He has let mechanization control him, instead of helping him, and we're in trouble, all of us—agent, management, and everybody else up and down the line. That tape recorder was never intended as a substitute for the assistant manager, but as an effective aid to him."

Gives Demonstrations

Mr. Covell gave actual demonstrations of loop films, an aid in training agents to sell, and a product of Seminar Films. He explained that Berkshire is actually using the films and that LIAMA is running some research experiments to see if they really work. Following are excerpts from Mr. Covell's explanation of why his company decided to adopt this training procedure:

"We come to the conclusion at Berkshire that drill and rehearsal in the agency is like teaching a man to swim on dry land. What we needed was some way to give the man field experience in the office. The new man must have a chance to practice his presentation with a realistic prospect, but under such conditions that he doesn't spoil any of his potential customers. The situation must be realistic so that he can build interviewing skill without hurting himself or the company. In searching for a way of accomplishing these objectives, we found that the answer was the loop film

New Jersey Legislature Adjourns Without Action On Variable Annuities

The New Jersey legislature has adjourned until Dec. 8, without the senate acting on any one of the three variable annuity bills approved in the assembly last June.

Proponents of the bills have sought unsuccessfully to move the three measures through the senate, but when they arrived in that chamber they were referred to the business affairs committee and have rested there ever since. Several attempts have been made to bring them up for a vote but without success. Further attempts to obtain senate approval will probably be tried when the legislature reconvenes Dec. 8, or Dec. 15, when it may meet again.

idea developed by Seminar Films of New York City.

"Loop films help us communicate field experience to the trainee by bringing a realistic prospect into the agency. It has advantages over joint field work in that it is completely controlled. The careful repetition and analysis of each objection develops in the new man a skill and confidence that we could not build by any amount of drill and rehearsal or joint field calls. A trainer is still necessary, but since the film provides a specific situation and method of handling it, the skill of the trainer is no longer as important a factor."

How Loop Film Works

"Loop film is a piece of film fastened end to end, placed in a special type of reel, so that it plays through and then repeats without the need of rewinding. The trainer can play through the film and then repeat it. In other words, the mechanics of operating the machine are reduced to a minimum so the trainer can concentrate on his trainee."

"Repetition is a necessary part of the process, because it gives the man a chance to analyze each objection as he hears it, over and over again. The continuous look makes this easily possible."

"We let the agent hear the pattern loop. The trainer then asks him to analyze each objection and the answer. This usually requires repeating the loop several times. After the agent seems to understand the technique of the loop with the prospect talking is put on. The agent hears it through. His answers are analyzed. He tries again and the process is repeated until the agent is able to answer effectively with confidence. Then other approach loops are used. The process goes on and on."

Good For Old Agents, Too

"A number of our full-time agents have a regular period for loop film practice each week for old as well as new agents."

"Loop films work just as effectively for groups of agents as for individuals in fact better, because we let each of the participants offer his comments and suggestions, and thereby learn more about the techniques himself."

Mr. Cummings discussed the three key elements in management—planning, organization, and control—and demonstrated the importance of good communications in all three. He also explained what LIAMA is doing to develop a program of training for agency department executives, as reported in last week's issue.

(CONTINUED ON PAGE 25)

OWN YOUR OWN AGENCY



Pardonable Pride...

... every once in a while a fellow just has to "pop his buttons" because he knows he has something great! For the man interested in agency management, we've got...

① The Top agency building contract! For the man who is looking ahead to a profitable, secure future in his own agency, our contract can't be beat.

② A personal producer's contract second to none! It helps make recruiting a pleasure instead of a chore. The Home Office training program aids the new agent in making a rapid climb to a top producer.

③ A complete portfolio of life and S&A insurance plans, designed to fit every prospect and his particular needs. They include a low-cost whole life plan, Family Guardian (family group plan), Major Medical Catastrophe Insurance plans, and the most versatile decreasing term riders ever devised.

④ Some excellent territories still open (including a few major cities) in the United States and Canada.

If you want to "pop your buttons" in your own agency with a rapidly growing organization, contact The Maccabees, a Life Insurance Society, Detroit 2, Michigan.

THE MACCABEES
a Life Insurance Society

Founded in 1878

Home Office
Detroit 2, Michigan

Minn. Associations Sponsor TV Shows

Minnesota Assn. of Life Underwriters in conjunction with the Minneapolis and St. Paul associations is sponsoring five 15-minute television programs entitled Project Security. The series is produced for educational television under a public grant from the Institute of Life Insurance.

The programs are being shown Monday evenings on Nov. 10, 17 and 24, and Dec. 1 and 8. In order of sequence, they are: What Is Life Insurance? quiz show; Who Can Get Life Insurance? Donald F. Barnes, Institute of Life Insurance, and Kinds of Life Insurance, Hal L. Nutt, Purdue Institute; Your Life Policy, Davis W. Gregg, American College, and Your Life Insurance Premium, Arthur C. Daniels, Institute of Life Insurance; The Life Insurance Agent, Albert C. Adams, past president of NALU, and Using Life Insurance, interview show; Life Insurance for Women, Betty S. Martin, Institute of Life Insurance, and Your Life Insurance Dollars, James J. O'Leary, Life Insurance Assn. of America.

Mutual Benefit Dividends Raised \$1,250,000 In 1959

Although Mutual Benefit's 1958 dividend scale will be continued in 1959, dividend payments are estimated to increase \$1,250,000 next year. The dividend distribution for 1959 will be approximately \$29.9 million as compared to \$28.6 million in 1958. The increase is due to the normal growth of business in force and "aging" of outstanding policies.

Colonial In 20 States

Colonial Life has been licensed in five additional states—Alabama, Illinois, Louisiana, North Carolina and Tennessee—bringing the total number of states in which the company is licensed to 20, plus the District of Columbia and Puerto Rico. The company's entry into additional states will continue and is in line with its recent expansion program brought about through its affiliation with Federal of New Jersey. Federal operates throughout the United States, Canada and several foreign companies as underwriters of practically every coverage except life.

Kentucky Insurer Cited By NLRB

C. W. Whittemore, trial examiner of the National Labor Relations Board, has found that American Life & Accident of Kentucky violated the Taft-Hartley act by forcing agents to withdraw from a labor union.

Examiner Whittemore recommended to the board that American be ordered to cease threatening employees with economic reprisals and promising benefits to discourage membership in Insurance Agents International union. The order also would require the insurer to reinstate with full back pay two agents who were fired because of their union organization activities.

NALU Chairmen Appointed

National Assn. of Life Underwriters has appointed eight more chairmen of national committees. John Z. Schneider, Connecticut General, Baltimore, will head two committees—federal law and legislation, of which he was chairman for 1957-58, and relations with attorneys.

Other chairmen appointed and their

committees are R. L. McMillon, Business Men's Assurance, Abilene, Tex., committee on membership; Paul R. Green, Aetna Life, Seattle, relations with other organizations; Edward M. Hicklin, Occidental Life of N. C., Burlington, N. C., committee on relations with trust officers; Francis G. McNamara, Old Line Life, Waukesha, Wis., committee on state law and legislation; Helen L. Rupp, Prudential, St. Paul, committee of women underwriters, and Robert S. Clayton, Liberty National, Mobile, a new committee for recognition of outstanding debit agents.

Massachusetts Mutual Ads Again To Feature Rockwell Drawings

The 1958-59 advertising campaign of Massachusetts Mutual will again feature full page advertisements illustrated by Norman Rockwell. Illustrations by Mr. Rockwell have been used in Massachusetts Mutual's consumer magazine advertising since 1952. Media to be used include Saturday Evening Post, Fortune, Time and Newsweek. Mr. Rockwell's Thanksgiving and Easter illustrations will be repeated this year.

Ohio National Life Has New Rate Book

Ohio National Life has introduced a new ordinary rate book effective Nov. 1, 1958 which incorporates many major changes, including quantity discount on all basic insurance plans, five new plans, reduced premiums for women, generally increased cash values, reduction of family income rider premiums and many reductions in occupational ratings.

Quantity discount allowed depends on which of four size groups applies to the basic amount of insurance. The minimum policy issued will be \$2,000 and size groups break at \$5,000, \$10,000 and \$25,000. Maximum quantity discount for annual premium plans of \$25,000 or more is \$3 per \$1,000.

New plans include \$25,000 minimum whole life with an additional return of cash value death benefit before age 65 with a first year cash value equal to approximately 50% of the first year premium; \$10,000 minimum modified four year whole life with special conversion options; \$10,-

000 minimum life paid-up at 65 which can be converted to \$5 monthly income per \$1,000 guaranteed 10 years at age 65; a new retirement income series permitting optional deferment of retirement and continuation of premiums until age 70, and a term to age 70 plan.

Lower premiums apply to women for all plans of insurance, although cash values and dividends are the same as for males of the same issue age.

Page Format Redesigned

The page format of the rate book has been redesigned to include dividends and illustrations along with premium and guaranteed value information for each plan and age.

For 272 occupational classifications listed in the manual, the rating for new policies issued after Nov. 1 will be either lower than formerly or standard. For 193 of these, new insurance will be issued standard. Waiver of premium disability ratings are reduced or eliminated in 409 occupational classifications, and double indemnity ratings are liberalized in 220.

LIFE WITH PROVIDENT



"Say, I bought a \$25,000 policy through my Provident agent the other day and added this new Guaranteed INSURE-ability Rider I've heard so much about.

This new rider guarantees that I can buy up to a total of \$125,000 of additional standard life insurance — regardless of my future health and at regular intervals. It's a real comfort to know that if I need life insurance in the future, I can get it from Provident without the risk of being rejected or charged an additional premium."

PROVIDENT
LIFE AND ACCIDENT

Insurance Company

LIFE • ACCIDENT • SICKNESS
HOSPITAL • SURGICAL • MEDICAL

CHATTANOOGA

Future Of Social Security Subject Of U.S. Chamber Talk

What's ahead for the average social security beneficiary in the next 25 years? Will a man who is 40 years of age today see many changes in benefits, costs and purchasing power of his benefits under the social security sys-

tem by the time he is ready to retire at age 65?

These were a few of the questions answered by Benjamin B. Kendrick, assistant director of research of Life Insurance Assn. of America, in a panel session on financial planning for retirement which was a feature of the U. S. Chamber of Commerce's national conference on individual planning for retirement at the Sheraton hotel in Chicago.

Mr. Kendrick said it is a virtual certainty that the age 40 worker will

see the social security law changed repeatedly over the coming decades. He gave as his reason for this statement the fact that Congress has made significant changes in the social security law in 1950, 1952, 1954, 1956 and 1958.

Additional Revisions

Since most employees will be enjoying benefits well into the year 2000, Mr. Kendrick pointed out that he could look forward to 20 additional re-

(CONTINUED ON PAGE 20)

Weitz Explains Use Of LIAMA's Career Analysis Procedure

How LIAMA's career analysis procedure is used to determine whether agent 18 to 24 months in the business should take the path of career agent or management trainee was explained by Joseph Weitz, associate director of research of LIAMA, moderating a symposium on this subject at the annual meeting of LIAMA in Chicago.



Joseph Weitz

The career analysis procedure being used by some LIAMA member companies. Mr. Weitz explained the CAP consists of taking a second look at men 1½ to two years in the business by the use of screening tools, such as the LIAMA Evaluation Record, Information Index, and Sales Method Index.

"The men being considered for management must jump these hurdles," he said. "At any point during the procedure a man may be put into a potential career pool or potential management pool, depending upon success in getting through the screens. If placed in a potential career agent pool, a program must be designed to bring him to their full potential including necessary future training. If they are placed in the potential management pool, the next step is four interviews: background information; knowledge and skills; recruiting, training and supervisory ability."

From these four interviews we get a better picture of the man and the man gets a better picture of management. After the interviews, the four interviewers and leader hold a decision conference to discuss the candidate's future. The candidate is then either put into the career agent pool, managerial training program, or is appointed as a manager.

Gets Trained Or Appointed

"If the decision is management, must be decided whether the candidate goes into a managerial training program or is given a managerial appointment. A career conference is then held in the agency with the candidate, general agent or manager."

Participants in the symposium were four agency officers who are using career analysis procedures in their companies; J. D. Anderson, agency vice-president Guarantee Mutual; Kirtland J. Keve, assistant superintendent of agencies National of Vermont; Clifford L. Morse, agency vice-president Phoenix Mutual; and Joseph F. Tudor, director of agencies Pacific Mutual. Each man explained how the CAP is working in his company and answered questions asked by Mr. Weitz. (Their talks are being reported individually in this or subsequent issues.)

Two Arkansas Insurers Merge

Two insurance companies of Rogers, Ark.—Progressive Life and Unionaid Life—have merged. Progressive Life will be the surviving company and will assume liability for all policies issued by Unionaid.

Don't look
now, Herman,
... but your
coat's too long!

It's sort of senseless to wear a long coat to cover up the fact you've been sittin' too much. If you really want to go places, it's time to look into an exclusive **BROKERAGE OPPORTUNITY** with the "GO" company. Contact Ed Nadalin, Assistant Vice President and Director of Brokerage.



Republic National Life INSURANCE COMPANY

NORTH CENTRAL EXPRESSWAY • DALLAS, TEXAS

LIFE • ACCIDENT • SICKNESS • MEDICAL AND SURGICAL REIMBURSEMENT • HOSPITALIZATION
GROUP • FRANCHISE • BROKERAGE • COMPLETE REINSURANCE FACILITIES

Sweeping Reforms Asked In Indiana A&S Probe Report

A sweeping series of recommendations for reforms in the field of hospitalization insurance operations in Indiana is contained in the final report of the joint legislative committee which has been investigating the business in the state the past 18 months. The report, which goes to the legislative advisory committee, was approved in a final session of the investigating committee.

Most explosive of the recommendations in the report is to outlaw exclusive contracts or agreements between insurers and hospitals receiving any tax support, direct or indirect. The prohibition would, of course, sharply affect Blue Cross operations.

In view of the elections last week, observers forecast a fight if the report recommendation on hospital contracts becomes a bill. The elections carried in one legislator with Blue Cross connections and many others heavily supported by labor, which, though often critical of Blue Cross operations, generally supports the plans.

A fifth of the 20-page report was devoted to Blue Cross. The Indiana department is adjured to give special study to the practice of Blue Cross in terminating benefits on cases in progress when a group is terminated. Castigated are Blue Cross rate making practices, "open-end indemnity" contracts, proxies made a part of the application, domination of the Blue Cross board by hospital administrators and physicians, and the alleged "zeal" of some of its sales representatives in putting pressure on hospitals that causes them to favor Blue Cross patients and to make statements that put other insurers in "an unfavorable light."

Finally, the report recommends that Blue Cross "should be disassociated from hospitals as much as any other insurance company."

Legislation called for in the report covers a number of items:

A "minimum standards for policy contracts" law, which, it is understood, is a compromise recommendation in lieu of a standard policy law

George Gobel, television comedian, pictured signing a key-man policy on his life in the amount of \$1 million. The policy was delivered through the Geist agency of Massachusetts Mutual in Chicago by Edward F. Fendt, who negotiated the contract.

The insurance was taken out by Gomaleo Inc., the company which produces the Gobel show. Mr. Gobel is a vice-president of Gomaleo.

At the left is David P. O'Malley, president of Gomaleo, and at the right is Mr. Fendt.



similar to standard fire insurance contracts.

A new agents' licensing law, setting up new classes to replace the present "life only" and "other than life." The classes would be "life only," "life and A&S," "credit life and A&S," and "property-casualty including A&S." Further the proposed revision would include a departmental examination for a life license, not now required.

Extending to 60 days the period in which the insurance department may disapprove a new policy form.

Appointment of a permanent joint legislative committee to conduct a constant study of all insurance operations in the state.

Setting up a four-man advisory committee to the commissioner.

The report also makes a number of recommendations not calling for legislation:

The department is urged to "scrutinize with great care" any policy or company using a pre-existing condition clause, to "vigorously control" crew solicitation, and to work to bring about the adoption of uniform claim forms.

The employment of a departmental actuary who is at least an associate of Society of Actuaries and of a policy analyst specialist.

A survey of the duties of the department by a "responsible state body" to establish job classifications, salary schedules and to increase efficiency.

Members of the committee are state representatives Grattan Downey, Indianapolis, and Walter Maehling, Terre Haute; and Sens. James Spurgeon, Brownstown, and J. Russel Townsend, Jr., Indianapolis, who served as chairman.

EXCLUSIVITY RIGHTS

now offered on dynamic, new

Lead-Developer and Sales-Maker

A major New York publisher, with an unparalleled background in correctly evaluating mass tastes, is now going ahead with the production of an entirely new volume. It is certain to become an indispensable reference book for hundreds of thousands of top-prospect families.

This potent (and down-to-earth) book will become the lead developer of the decade. One life insurance company can obtain exclusivity rights to this surprisingly low-cost-per-copy offering.

Only one life company out of the entire industry will be able to enlist the lead-developing, sales-making strength of this book for its agency force. Editorial format is still flexible enough to allow just the right degree of promotional integration by the interested company. Write for full details.

Editorial Sales Department
P.O. Box 212
Hartsdale, New York

"A LIVING, GROWING ORGANIZATION"

When we asked a recent addition to our field force why he had selected Western Life from among many opportunities, he said, "because the opportunities are greater in a living, growing organization".

That certainly is true of Western Life. Just since the beginning of this year, for example, its organization has expanded greatly—new territories opened, new field personnel added, new opportunities created for all.

Western Life offers exceptionally good compensation and opportunities to successful producers. Write or wire us today if you want to improve your position. Western Life, Western Life Building, Helena, Montana.



R. B. Richardson, President
L. G. Thompson, Admn. Agency Vice President

Insurance in Force over \$400,000,000 Assets over \$87,000,000



Illinois Insurance Federation Given Preview Of Legislative Things To Come

The state's outlook for insurance legislation was described by Director Joseph S. Gerber and Sen. W. Russell Arrington at the annual meeting last week of Insurance Federation of Illinois.

The audience, numbering several

hundred, is the only all-industry group in the state, and during his remarks Mr. Gerber stressed that none of the legislation he desired could have a chance of passage without the support of the federation members.

President Peter W. Freilich, Corroon

& Reynolds, presided, and the speakers were introduced by Ralph D. Jones of Continental Casualty, the 1st vice-president. All the federation's chief officers were reelected, with E. H. Henning, Central Standard Life, remaining as chairman, Mr. Freilich as president, Mr. Jones as 1st vice-president, and Miss Florence M. Manson as executive secretary and treasurer.

(CONTINUED ON PAGE 23)

"It takes both discipline and family security to win against delinquency!"

Some direct advice
of interest and help
to conscientious parents
from **PHILIP B. GILLIAM**
Judge of the
Juvenile Court of Denver

EACH DAY I face a parade of young people gone wrong. There are many reasons why they appear in my court, but one underlying cause keeps cropping up.

"These boys and girls have lost their feeling of security, the sense of being loved. And with it has gone the incentive to love and respect others.

"Young people need a lot of parental love in their lives. That means supplying the sturdy discipline they require and unknowingly crave. And it means giving wisely of yourself, your experience and judgment.

"The buying of life insurance, it always seems to me, is an outstanding example of love at work to achieve added soundness and unity within the family. In addition to its long-range protection, it lends fresh strength for confident and happy living. It often goes far to create a background of family stability that helps to keep a child on the right track."

★

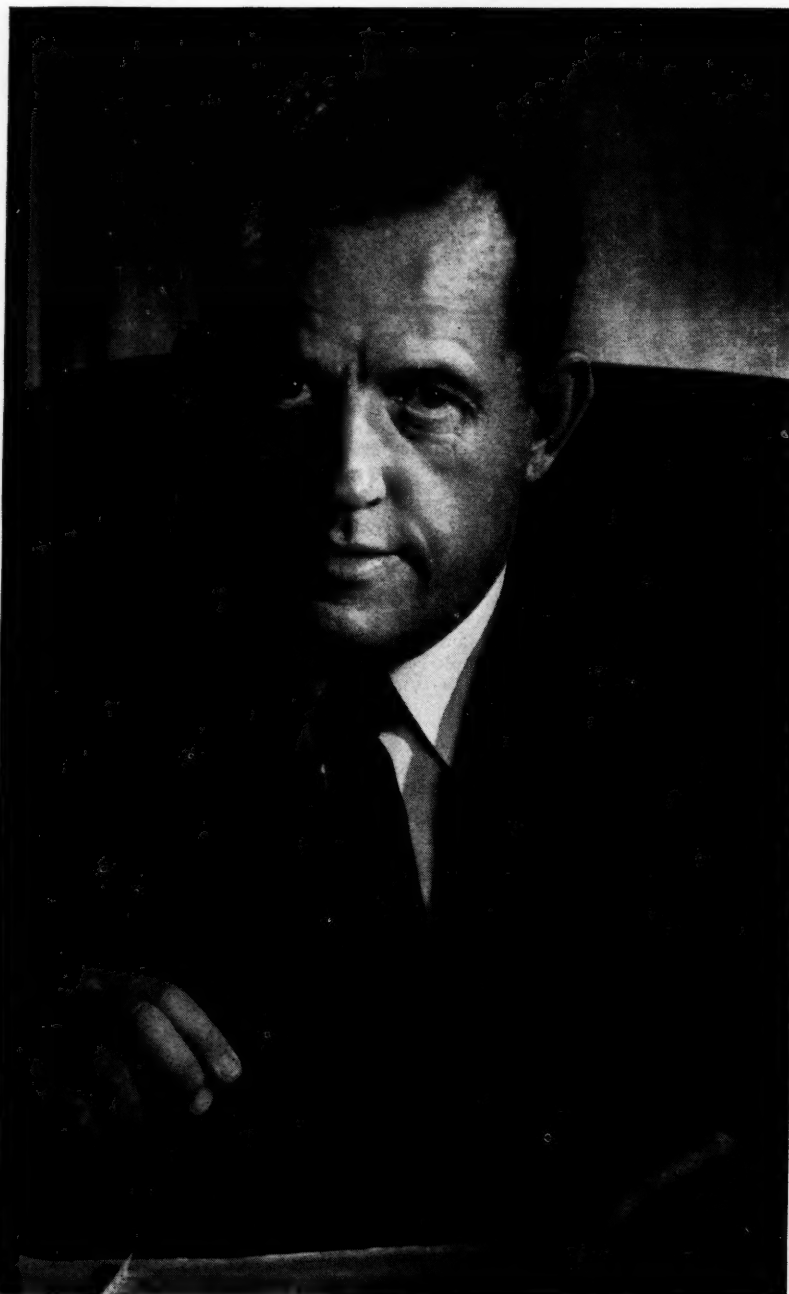
WHY POLICYHOLDERS ARE SO LOYAL TO NORTHWESTERN MUTUAL...

THIS company is one of the world's largest, with over 100 years' experience and a reputation for low net cost.

It is also a company noted for progressiveness. For example, its settlement options offer, by contract, a flexibility and choice of action unknown before in life insurance.

Here is further evidence that there are significant differences among life insurance companies. It is one reason why each year nearly half of the new policies issued by this company go to present policyholders.

For sound help in your security planning, call a Northwestern Mutual agent.



A NORTHWESTERN MUTUAL POLICYHOLDER. Judge Gilliam took out his first policy with this company 24 years ago.

The NORTHWESTERN MUTUAL Life Insurance Company

MILWAUKEE, WISCONSIN

AS ADVERTISED IN TIME AND NEWSWEEK

Better Life Agents Sell Other Lines Better Than Average

There is a direct correlation between ability to sell life insurance and other lines, at least among Nationwide Life's better full-time agents, Dean Jeffers, Nationwide's sales vice-president, reported in his talk at the agency decisions forum during the LIAMA annual meeting at Chicago.

"I recently examined the total production of our top 20 life agents," he said. "It would appear that they are six times as good as the average agent on A&S sales, four times as good on general liability, twice as good on fire, and about three times as good on the sale of auto insurance. This is but a part of the evidence that has caused us to direct our training efforts toward bringing new agents into life insurance production before becoming too much concerned about other lines."

Nationwide has just over 4,700 agents, both full- and part-time, all independent contractors and representing Nationwide exclusively. About 60% are full-time career men and that is the company's direction for the future. All are licensed for multiple-line sales. Nationwide has two types of agency contracts, standard and "master," the latter being available after an agent has been with the company on a full-time career basis for at least two years, has adequate service facilities, and has achieved some professional status. There are 1,950 of these, with an average income for the group this year that will exceed \$10,000. A few will top \$40,000. Eighty-four percent of this income comes from auto and fire insurance, the balance from life and miscellaneous casualty.

Their average income by years of service, said Mr. Jeffers, breaks down like this: two years, \$5,600; five years, \$8,050; 10 years, \$11,100; 20 years, \$14,650.

Mutual Benefit October Ordinary Sales Are Record \$133,539,598

Mutual Benefit agents, in the annual "duel" campaign, wrote \$133,539,598 of ordinary coverage during October, a record. The previous high for a single month was reached in October, 1957, when \$107,313,438 of ordinary life was sold.

The Unity Mutual
Life Insurance Company
of New York

Insures
The Whole Family

Unity agents are equipped to serve every need for personal insurance. Juvenile policies our specialty.

E. R. DEMING
President

L. J. BAYLEY
Secretary

HOME OFFICE—SYRACUSE, N. Y.

Tells How To Get Work Simplification Programs Accepted And Put Into Effect

How to formulate work simplification programs, how to get them accepted and put into operation, and what results can be expected of them were detailed by William W. Eitel, methods manager of Home Life of New York, at the annual meeting of Life Office Management Assn. in Atlantic City. Following is the conclusion of an abridged version of Mr. Eitel's talk. Part one appeared last week.

Another obstacle to work simplification is insecurity. Employees becoming aware that there is a program to reduce operating cost will ask: "How is this going to affect me? If my job is eliminated or combined with someone else's, will I be dismissed?" They must be assured from the start that:

1. No one will be dismissed as a result of work simplification.
2. If his job is eliminated, the employee will be placed in another job with equal or greater responsibility.
3. That a successful work simplification program results in benefits to everyone.

Deserves A Better Job

Our president has often said words to the effect: "The person who is smart enough to eliminate his own job deserves a better one."

Now there are probably other obstacles which you can think of to a work simplification program, but most of them have their roots in the ones I've just mentioned. There is one, however, which is not always recognized in the books. And that is, lack of time. It's human nature for people to think, when they are given an additional task: "How in heaven's name do they expect me to do this and still do my regular job?"

In fact, the initial reaction of department heads must be expected to run along these lines: "This sounds like a wonderful program; I'm sure that much good will come of it—naturally, we don't have as much room for improvement in our department as in others, because we're better organized; but even considering that there is room for improvement, my supervisors and the people who would be at least initially responsible for work simplification investigations are literally up to their ears right now. It's fine for you to tell us that each graduate of a work simplification round table should spend 20% of his time on work simplification, but where is this time coming from?"

Provides Its Own Remedy

About all we can say to this is that anything worth having is worth working for, and that work simplification itself will provide the remedy for this situation. One of our first tasks must be to see what rearrangement of work, simplification of effort, or change of procedure is necessary to provide this free time.

We tried to get any and all questions that were in the minds of our department heads or other officers answered to their satisfaction before holding our initial round table. We then met with the department heads to set up a schedule for the attendance of their people at the round tables. At a later date, we met again with the president and the vice-president to review the selection which had been made.

This was a little over three years

ago, and we have since trained over 50 of our home office people in the tools and techniques of work simplification.

While the right start and the initial selling of the program can by no means be slighted, I indicated earlier that one of the keys to making work simplification pay off is to keep the initial interest in the program at a high pitch.

One of the major factors in our success to date in maintaining interest has been the active participation in round tables by our president and vice-presidents. Our president is a featured speaker at the initial session of every round table and gives his personal views on the importance of work simplification to the company and to the people who participate in it. Other officers of the company also join us at the round tables to give specific examples of how the program ties in with over-all expense administration.

At the completion of a 20-hour course which extends over 11 weeks, we hold a graduation luncheon and ceremony where we are joined by our vice-presidents who tell very effectively of their interest in the program and what it means to the company and to the individual graduate in the way of opportunity.

Of course, work simplification and its impact should be explained to all employees. It should be presented in a favorable light to help gain company-wide acceptance. Home Life handles this phase of our program in various ways. During the year we circulate work simplification news releases which present the story of the results achieved from certain projects and attempt to start other people thinking along similar lines.

Our company magazine and other news organs also carry items of interest, tell the summary of accomplishments, and keep the people informed as to who in the company has been enrolled for or has graduated from the round tables. From time to time, we distribute desk blotters with calendars and a message from Mr. Spendrite, usually dealing with work

simplification philosophy and attempting to stimulate thinking and activity on the part of individuals. We also use posters, which are placed on bulletin boards and again are designed to stimulate activity. Slogans have been developed which tie-in with our over-all expense program.

Reflected In Annual Report

Even our annual report to policy-owners reflects the importance of work simplification at Home Life. In 1956 there was an article entitled "Is There a Better Way to Do It?" The lead sentence of this article states: "No single question receives more constant attention than this one at Home Life."

Some time ago, in a letter to the home office organization announcing a general salary increase, our president attributed the company's ability to grant this increase in part to the excellent results that had been obtained through work simplification.

In addition to these other items, we have a formal reporting system on work simplification improvements. As projects are completed, an individual report is prepared by the department and signed by the department head

(CONTINUED ON PAGE 21)

HARVEST TIME

"The frost is on the pumpkin (or soon will be) and the corn is in the shock..."

Which means the fruition of the year's labors, and time for good Life Insurance men to get up and go!

Ours are busy.



THE
NATIONAL LIFE
AND ACCIDENT
INSURANCE COMPANY
HOME OFFICE - NASHVILLE, TENNESSEE

Role Of Interviewer Important In LIAMA Tests For Managers

In the symposium on management development through career analysis, during the annual meeting of LIAMA at Chicago, Kirtland J. Keve, assistant superintendent of agencies of National Life of Vermont, related his experience with LIAMA's career analysis procedures and gave recognition to the

significant role played by qualified interviewers in this method of selecting management personnel.

An abridged version of his remarks appears below.

During the past three years we have "CAPPED" 44 men. In four of these cases action still is pending, leaving 40 completed. In seven cases it was not anticipated that immediate action would result. This leaves 33 cases which have been concluded with negative or positive action.

As a result of these 33 CAPs we made 21 offers of management op-

portunities of which 15 were accepted. Again let me remind you that of the cases where no offer was made or where an offer was made and not accepted, a number of special stories are involved, but there is not now time to tell you about them.

As a result of "CAPPING" we have appointed six general agents and nine management trainees. One of the latter has since been appointed a general agent. This seems a good time to emphasize the fact that the recommendation of the CAP team is merely

(CONTINUED ON PAGE 20)

Warns Of Danger To Agency System By Mis-selling Of A&S

Because of the too-prevalent attitude of distrust toward A&S among the public and legislators, restrictions may be placed on the agency system that would "forever foreclose some of your opportunities in sales management to properly direct agency training on a voluntary basis," Ardell T. Everett, 2nd vice-president of Prudential, warned in his talk at the annual meeting of LIAMA in Chicago.

"We should review our training programs," he said. "Not only initial training but active continued training into the proper merchandising techniques which will eliminate largely the complaints against the agency system in public forums. It means that the public education job must be more active, more all-consuming, and more closely identified with the agency system. It suggests that you and your agency forces must be prepared not only to sell protection but to tell the positive story of voluntary insurance—health and otherwise."

Must Remove Irritants

Referring to the highly effective job done in New York state in response to the threat of radical legislation being sought there, Mr. Everett said the job indicated that "you must remove the irritants of your sales forces, and I believe this can be done largely by better communications."

"In all of the incidents in New York where I was personally involved," he said, "I found that the agency people wanted more generally informative materials from their home offices, but they indicated also that they received nothing but sales direction. Let's broaden our educational band—both vertically and horizontally."

Should Sell More A&S

"You must alert your field management to the necessity of your sales representatives selling more A&S coverage, both individual and group. You

(CONTINUED ON PAGE 20)

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O'TOOLE ASSOCIATES Management Consultants To Insurance Companies

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Pan-American Life can solve your employee benefit problems

By proper planning, small business firms can now enjoy the benefits of Group Insurance and can offer their employees the same protective advantages provided by most giant corporations.

Pan-American Life can plan and underwrite Group programs for companies with as few as 10 employees—and the low cost will amaze you!

Ten employees, or ten thousand—no matter the size of your organization—your friendly Pan-American Agent will be happy to discuss the benefits available to you and your employees.

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Among the top 10% of
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more than 90%
of all life
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Advertisements similar to this one are targeted at the prospects of our representatives. Each advertisement features a particular policy; thus affording the local agent a "hard selling" partner. These advertisements will reach millions of readers throughout our territory, building prestige for the company and developing prospects for the agent. The fine promotional assistance rendered by the newspapers and reprints of our ads, furnished by the Home Office, are additional ammunition. All this, coupled with our top-notch policies and sales aids, will help you sell more under

PAN-AMERICAN'S CAREER CONTRACT

Crawford H. Ellis
President

Kenneth O'Hamer
Vice-Pres. & Agency Director

Treasury Switch Sours Tax Compromise

(CONTINUED FROM PAGE 1)

vestment formulas which would provide margins of taxable income more in accord with current conditions in the life insurance industry. The industry data reflected in the deduction ratios provided by the 1942 formula and the 1950 formula, for example, make it evident that the 85% deduction under the 1955-57 stop-gap is substantially out of proportion to the actual reserve and other policy interest requirements of the companies under conditions now prevailing.

"The 1950 formula, which measures with considerable accuracy the proportion of investment earnings required to fulfill interest obligations to policyholders, would currently permit a deduction of about 68½% based on conditions prevailing in 1957. Prevailing trends indicate this deduction figure would be lower on the basis of 1958 experience. In 1958, the 1950 formula would result in about \$613 million revenue."

\$500 Million Under 1942 Formula

About how happy this made the assembled life insurance gallery feel can be judged by the fact that the 1942 formula, which is the haunting specter that goes into effect automatically if no law is enacted, would result in a tax of about \$500 million on 1958 income, according to Treasury figures.

Nobody, of course, was surprised at Mr. Scribner's position on what he termed "representations which have been made that under existing law life insurance companies are overtaxed." He said the Treasury had given "most careful attention" to these.

"The records of life insurance operations do not support these contentions," he continued. "The tax formulas applicable to the companies' income have in the past and should in the future continue to exempt interest earnings dedicated to meeting reserve interest needs and other contractual commitments to policyholders. Moreover, interest on savings in the form of life insurance policy reserves are virtually exempt from personal income tax."

Mr. Scribner said that the total federal income tax liability of life companies as a group for the calendar year 1957 was about \$293 million, or roughly 26% of what he termed their "net operating gain." Had they been taxed on the usual basis for business corporations they would have paid a tax at the rate of 52%, or in revenue about twice what was actually paid.

Mr. Scribner also cited the growth in equity values in life companies as indicating that "there is little or no pragmatic evidence that suggests that the life insurance industry, comparatively speaking, is adversely affected by its share of the country's tax burden."

Starting Point To Measure Earnings

The starting point for measuring net earnings, Mr. Scribner suggested, should be the figure for "net gain from operations after dividends to policyholders" in the annual statement blank. Adjustments such as those for tax-exempt interest, federal income taxes paid, and depreciation on the insurance business property account would be required. The resulting tax base, he said, would include the margin of investment income above the amounts needed on policy reserves, gain from better-than-assumed mortality experience, and profits arising from the difference between the ex-

pense loading portion of premiums and actual expenses. Deductions would be allowed for dividends paid to policyholders and amounts added to policy reserves.

"Recognizing the long-range character of the life insurance business, consideration perhaps should be given to the adoption of a longer loss carry-back provision for life insurance companies than for other corporations," said Mr. Scribner. "There also may well be need for a type of special allowance or relief feature for small and new companies."

A gradual transition might appear advisable, he said, covering three to five years. The Treasury believes there is "substantial merit" to an adjustment for companies with reserves based on the preliminary term method of valuation, also for deficiency reserves. Mr. Scribner said the Treasury finds unacceptable "in its present form," HR 13707, sponsored by the temporary committee on taxation of mutual life insurance companies, because it contains a series of special deductions from net operating gain "which do not appear to have clear business justification." But he said that "we believe that by amendments . . . the bill might be made the starting point for the developing of a satisfactory formula based on the net operating gain approach." He said that whatever tax formula is applied to the ordinary income of life companies, their capital gains and losses should no longer be disregarded for tax purposes, as they are now.

Mr. Scribner and Dan T. Smith, deputy to the Secretary of the Treasury, were the only Monday morning witnesses.

Sole witness Monday afternoon was Claris Adams, executive vice-president and general counsel of American Life Convention. In line with the ALC resolution adopted at the annual meeting last month, Mr. Adams vigorously opposed the total income approach and urged the net investment income basis as the only sound and proper one. He departed from his prepared presentation to express surprise at the Treasury's coming out for the 1950 formula as the basis for its half-and-half plan. He said there was never any hint of this in the discussions with the treasury staff.

The Mills, or stop-gap law first adopted in 1955 "is well considered

Convention Dates

Nov. 10-13, Life Insurance Agency Management Assn., annual, Edgewater Beach Hotel, Chicago.

Nov. 12-13, Pennsylvania Assn. of Life Underwriters, fall meeting, Penn Harris Hotel, Harrisburg.

Nov. 18-21, Institute of Home Office Underwriters, Hollywood Beach Hotel, Hollywood Beach, Fla.

Nov. 20-21, Insurance Federation of New York, annual, Waldorf-Astoria, New York City.

Dec. 8-9, Assn. of Life Insurance Counsel, winter meeting, Plaza Hotel, New York.

Dec. 9, Institute of Life Insurance, annual, Waldorf-Astoria hotel, New York City.

Dec. 10-11, Life Insurance Assn. of America, annual, Waldorf-Astoria Hotel, New York.

Dec. 15-19, National Assn. of Insurance Commissioners, midwinter, Roosevelt Hotel, New Orleans.

Dec. 28-29, American Assn. of University Teachers of Insurance, annual, LaSalle Hotel, Chicago.

Feb. 20-21, New York State Assn. of Life Underwriters, general agents and managers meeting, Gideon Putnam Hotel, Saratoga.

1959

May 15, Illinois Assn. of Life Underwriters, annual, Hotel Leland, Springfield.

THE CLIMATE IS

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When the announcement was made that our Company became an Old Line Legal Reserve Company, we were deluged with good wishes for success by scores of our friends in the business. This warm welcome has meant a great deal to us in rededicating ourselves to the all-important task of serving the insurance-buying public as we know they should be served.

We are proud of the new area we have entered. We say "the climate is good" and we will strive to merit the good will of our contemporaries.

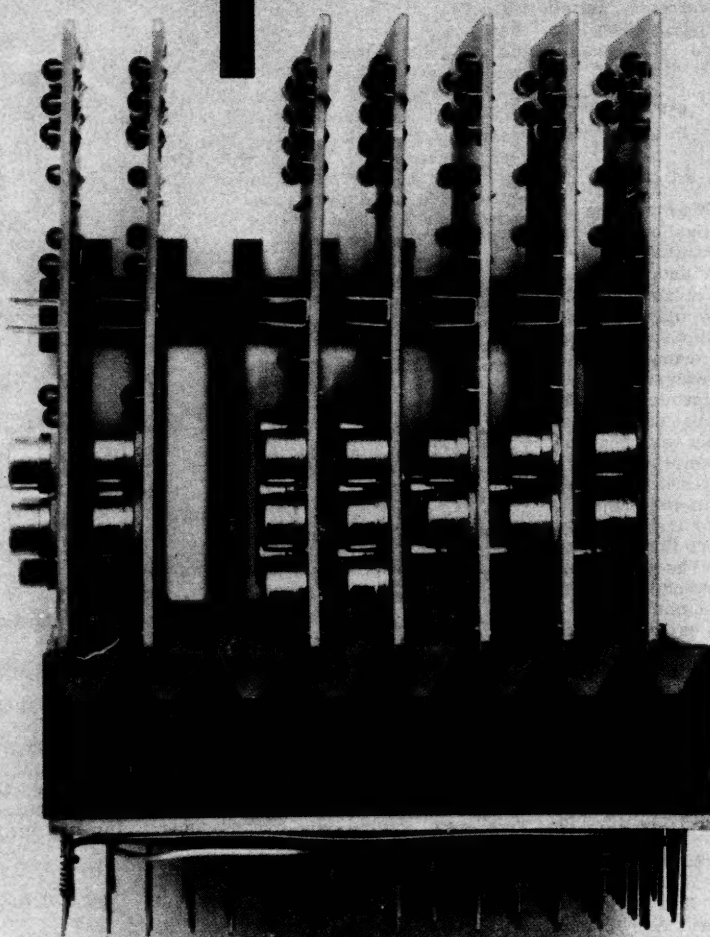
opportunities for career underwriters

AGENTS — MANAGERS — SUPERVISORS

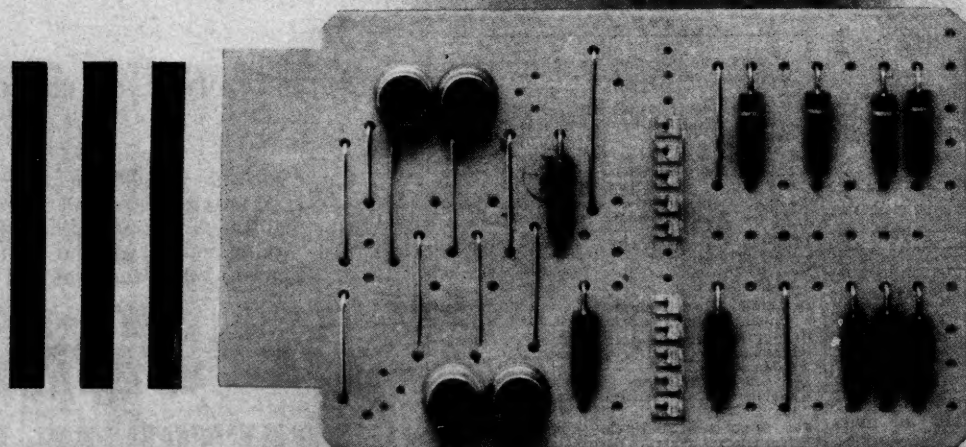
If you are interested in hearing about the plans of an old, established life company with "young ideas" for the future, contact T. H. Penton, Vice President and Agency Director.

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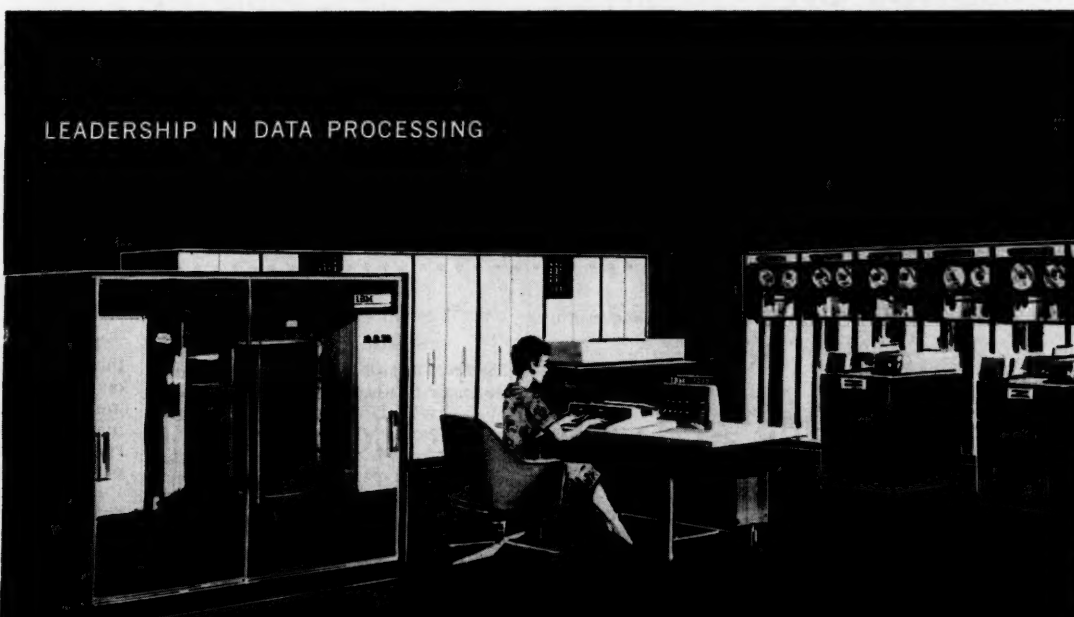
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legislation and is fundamentally sound both in its philosophy and structure," said Mr. Adams. "I sincerely feel that policyholders are carrying a heavy tax burden now and that if the Mills Law is amended to reach the emerging profits of stockholders and loopholes are closed to put an end to the few but lurid examples of tax avoidance, it is a sound and proper basis for permanent legislation."

In support of this view, Mr. Adams noted that the tentative compromise formula originally emanating from the Treasury "contains a floor, upon

which the largest taxpayers will pay."

"Once more, the effective floor is the Mills Law, or its substantial equivalent," he said. "If the Mills Law provides the right method and the right level of taxation for the large mutual companies and the large taxpayers, why should it not apply to all companies? For 35 years every official spokesman for the life insurance business, whether he represented a mutual or a stock company, has supported the investment income method as the only sound and equitable basis for the taxation of all life insurance compa-

nies and has advocated equality of treatment among companies."

Mr. Adams made an eloquent plea for taxing life companies on a basis that would allow for the fact that they are already heavily taxed on their premiums by the states. He pointed out that under Public Law 15, Congress has a responsibility in this area, for if it were not for that law the states would be barred from taxing premiums as a restraint on interstate commerce. He also asked that consideration be given to the fact that life insurance is bought for retirement

and for widows and orphans. He reminded the committee that with federal income taxes and state premium taxes, even under the present law life insurance "is the most heavily taxed form of thrift in the United States."

Mr. Adams offered a suggestion for taxing stock insurers on the basis of dividends actually paid to stockholders. This suggestion was a surprise to the mutual companies committee. Some felt it pointed the way for a taxation basis that would be fair to both mutual and stock companies. Mr. Adams cited the difficulty of identifying profits as they really occur.

Makes Comparison

"My proposition," he said, "is that so long as a stock company maintains its surplus funds in the enterprise at risk and for the protection of policyholders who hold long-term contracts, such fund partakes of exactly the same character as the surplus funds of a mutual company. When any of such funds are separated and allocated to the payment of stockholders' dividends, they are a legitimate subject of federal income taxation, just as the profits of an ice company, a coal company or a steel company. Obviously, such payments are made out of profits or they should not be paid out. It cannot be argued that taxing stock companies on profits disbursed would place them at a competitive disadvantage with their mutual rivals."

Mr. Adams conceded that levying a tax at the time of dividend distribution rather than at the time of profit acquisition is not considered good income-tax theory.

"However, I have given the question much thought over many years and I can think of no better solution," he said. "I believe such a tax should be put in as a floor in the case of every stock company, although there is some question of equity involved as to paying out surplus already accumulated under other tax laws, which point will be argued in some detail by a succeeding witness."

Mr. Adams said it might seem illogical to suggest a floor for stock companies while criticizing a floor for mutuals, but he said "There is a vast difference between an alternate tax which will apply to minor tax-

Guardian Life Dividends For 1959 Are \$7.9 Million

The directors of Guardian Life have authorized distribution of \$7.8 million as dividends to policyholders in 1959, an increase of 5.7% over the amount set aside for 1958.

The dividend scale remains substantially the same as that used in 1958, with the following exceptions: An increase in dividends on three preferred risk plans; a new scale of dividends for policies of the pension trust series issued at the new premium dates, effective Nov. 1, 1958; an increase in the second and third year dividends on the new preferred health policy and dividends payable for the first time on professional overhead disability policies.

The 1959 scale again provides for the payment of settlement dividends on most plans when premium payments terminate because of death, maturity, surrender or for any other reason after premiums have been paid for a certain number of years.

Interest on proceeds left under optional settlement will be 3.1%. The rate on dividends left at interest on pension trust auxiliary funds will also be 3.1%.



Manhattan Life's 5 New LEVEL TERM RIDERS HAVE Built-In Guarantee of Future Insurability

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INSURED GUARANTEED the Right to Convert to Permanent Insurance the Entire **\$50,000**, or a part, within 5 Years. (to age 40. Thereafter: 4 years, but not beyond age 65)

The option to convert is exercisable any time during the specified period. The amount is **not reduced** or "pegged" by intermediate drops on specified dates.

DON'T OVERLOOK THESE: SUB-STANDARD ISSUES CONSIDERED

If Basic Policy Includes Waiver of Premium, Rider will also include it. Ask for details.

Ask us about the period during which guaranteed conversion is provided under 10-Year; 15-Year; 20-Year and Term to 65 Level Riders.

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The Level Term Rider is available in most of the states in which the company operates.

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payers and one which really becomes
the principal tax for companies paying
the vast majority of the taxes."
The suggested provision would not
be likely to yield a great amount in
taxes. Mr. Adams said, noting that
last year all the companies in the
American Life Convention paid cash
dividends to stockholders totaling \$77,-
431,000, whereas their income taxes
totaled \$78 million. He discounted the
danger of unreasonable surplus accu-
mulations and the need for a statutory
limit on surplus.
Both Treasury witnesses and Mr.



THINK...

- WHY are you paid the same commission as the lowest producers in your agency when you are consistently a top producer?
- WHY do so few companies vest renewal commissions?
- WHY do you receive little continuing reward for attracting good producers to your agency?
- WHY are your renewal commissions for low lapses the same as paid to other representatives for high lapses?
- WHY is your renewal commission schedule so low if persistency is so vitally important?
- WHY are smaller renewal commissions paid over a long period of time instead of larger commissions paid over a short period?
- WHY has the Accident and Health Division of All American Life & Casualty Company enjoyed the most spectacular growth in the business? From the standpoint of premium income, All American now ranks among the top 125 companies.
- WHY is All American Life & Casualty Company, having started writing Life Insurance in July, 1956, already producing approximately one million a week?

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Adams were questioned at length by the committee. The Treasury men seemed completely uninterested in whether life companies' federal income tax rates should be influenced by the large amounts they pay in state premium taxes. Rep. Curtis of Missouri, long a friend of the life insurance business, asked Mr. Scribner if the Treasury had taken into account what life companies pay in state premium taxes as compared to what other types of corporations pay. Mr. Scribner evidently did not regard it as a problem worthy of discussion, saying that the tax could be passed along to the policyholders.

By Monday, enough of those who had asked to be heard had withdrawn their requests so that it appeared certain the subcommittee could wind up its hearings Thursday, instead of having to run through Friday, as originally planned.

(Reports on some of the other witnesses appear in separate items elsewhere in this issue.)

Six Million Covered For Mental Ills, New York Hearing Told

Some six million New Yorkers have "substantial protection against the cost of medical care for mental illness" through health coverage provided by insurance companies, Morton D. Miller, 2nd vice-president, Equitable Society, told a hearing of the New York joint legislative committee on health insurance plans at the state office building in Buffalo.

Mr. Miller, who made his statement on behalf of American Life Convention, Health Insurance Assn. of America and Life Insurance Assn. of America, said that in designing hospital and medical plans, "insurance companies have generally tried to make available protection that was as broad as it was felt could be soundly underwritten at a price that the prospective purchaser would consider reasonable."

He said this same principle has been applied to nervous and mental disorders.

"We are led to the conclusion," Mr. Miller said, "that practically all those covered under insurance company hospital, surgical and regular medical expense plans have the same benefits for nervous and mental disorders as for other conditions. This is based on the fact that upwards of 75% are covered under group plans where no limitation is made and that most individual policies also provide full benefits."

"Under major medical expense plans, group policies which account for over 92% of those covered provide full coverage for mental illness except possibly for ambulatory psychiatry which may be limited and individual policies are moving toward coverage for hospitalized conditions," he said.

Guardian Life October Drive Nets \$41 Million Ordinary Business

Guardian Life's October campaign honoring James A. McLain, chairman, has resulted in the field force submitting more than \$41 million of ordinary life business, a new campaign record. Submissions were nearly 25% higher than the October campaign in 1957. A&S submissions during the campaign totaled more than \$155,000 in annual premiums, an increase of 7% over October of last year.

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... a vintage '06 automobile, a suit of armour, the Pyramids? To more and more life insurance men today "older ages" is an expression with a very special meaning. It's the profitable market for life insurance that exists in the 65-80 age bracket. If you have a client who has a real need for life insurance, based on business or tax reasons, talk to your Manufacturers Life Brokerage Manager. You'll find he can offer these "senior citizens" the same contracts that have earned the Company a wide-spread reputation for maximum protection per premium dollar.

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Ronald D. Rogers, CLU, Agency Vice President

North American Building

Chicago, Illinois

Home Office Changes

American Casualty

Joseph Fahy, superintendent of the A&S security division, has been promoted to assistant production manager of the A&S department. He started his career with American Casualty at New York and later was named head of aviation and group travel insurance. Davis F. McAdoo succeeds Mr. Fahy

as superintendent of the A&S security division. Mr. McAdoo has been in the A&S division at Chicago and before that headed the A&S division of a large Chicago agency.

Daniel J. Driscoll has been advanced to manager of the A&S group service division. He joined American Casualty in 1946 as a claims adjuster and since 1957 he has been assisting in

setting up the group service division, which he now heads.

Colorado Credit Life

Jack O. Robinson has been elected president, replacing Allen J. Lefferdink, who has been president and chairman and will remain in the latter position. Mr. Robinson has been associated with Mr. Lefferdink since 1947 when Colorado Credit Life was incorporated. He is a director also of Nebraska National Life of Lincoln, of which the president is Thomas Pan-

ning, former Nebraska director, and a consultant to International Life of the Americas of Puerto Rico, of which Mr. Lefferdink is chairman.

Independence L.&A.

Ernest H. Speckman, who retired earlier this year as president of Kentucky Central Life & Accident, has joined Independence L.&A. as director of the weekly premium agency department, a newly created post, to head the planned expansion of the weekly premium business.

United States Life

John A. Pfaff, former head of A&S sales promotion, has been named director of sales promotion. He joined the A&H department in 1953.

Employers Life

Dr. Frederick R. Brown has been named medical director. He joined New England Life in 1928 and retired as director of its medical department in 1955.

Pacific Mutual Life

Raymond I. Colbourn has been named assistant treasurer. He joined Pacific Mutual in 1947 and for the last year has been superintendent of the policyowner service department.

United Life & Accident

Walter O. Corey, assistant to the field management vice-president, has been named superintendent of agencies. He joined United in 1956 as traveling field supervisor.

Connecticut General (Correction)

Among the home office changes at Connecticut General in the Nov. 8 issue, James B. Ross was inadvertently referred to as a former assistant in the actuarial division of the group department. Mr. Ross was assistant actuary in the actuarial division of the group department and has transferred to the reinsurance department.

INVESTORS LIFE has appointed C. M. Fife and R. M. Fabian vice-presidents. Mr. Fife has been general agent of Franklin Life at Houston.

GULF STATES LIFE has appointed Paul H. Russom, former division manager in Tennessee, as director of ordinary sales.

Granville E. Smith, general agent at Picayune, Miss., for **AMERICAN INSURORS**, has been named superintendent of agencies and will have charge of the Mississippi territory.

Philip Fass of Beverly Hills, Calif., has captured "man of the month" honors by leading the entire force of **Midland Mutual Life** for the fifth time this year.

United States Life has been licensed in Montana.



The Million-Dollar Man's BEST FRIEND

The DUKANE *flip-top*

person-to-person audio-visual selling impact in a 13½ lb. package

Here is *the* audio-visual device ideally suited to the needs and wants of insurance men. The Flip-Top is point-of-purchase selling punch, trimly packaged, no bigger than an attaché case.

A real star at setting the stage for the sale, the Flip-Top presents facts, figures, and buying information right at the prospect's desk or in his home. It's all one unit, with self-contained screen which pops into place when you flip up the lid. No fuss with separate screens, no trying for projection distance, no focusing. You plug the Flip-Top into any electrical outlet, and present brilliant pictures and bell-clear sound in seconds, *without* room darkening.

And for all this convenience, you pay no more! The Flip-Top costs no more than sound slidefilm machines which call themselves "low-priced," and yet one look will tell you that here is a machine built to *last*. Handsome and rugged, the Flip-Top is a sales aid your men will be proud to carry and use.

The Flip-Top is the original point-of-purchase sound slide-

film projector. DuKane Corporation, pioneer in electronics since 1922, is the world's leading producer of sound slidefilm projectors. There are more DuKane projectors in use today by U.S. business and industry than any other brand. DuKane projectors are sold and serviced by a nationwide network of audio-visual experts, whose service facilities are as close as your telephone, wherever you are. Every DuKane projector is a quality product, sturdy and easy to operate. It's no wonder that DuKane is the overwhelming choice of leading companies!

The Flip-Top, shown above, is only one of the quality line of DuKane projectors—the only complete line of sound slidefilm projectors, designed for audiences from one to thousands. Write us for help in your audio-visual selling or training problem, or clip the convenient coupon at the left. We'll be happy to send you information on "pre-packaged" films available for insurance companies, as well as on custom-produced films and projection equipment.



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Sound slidefilm leads in training effectiveness, and DuKane leads in sound slidefilm projection equipment. The Micromatic is the standard of American industry and education, for audiences from a few to hundreds. Changes its pictures completely automatically, without operator's attention, always in perfect synchronization with the sound.

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CONVENIENT "ONE-STOP" SERVICE COUPON

DuKane, the leader in sound slidefilm projection equipment, will be happy to send you information on sound slidefilm projectors for any size audience, and sources for—

- ✓ "pre-packaged" films available for insurance sales and insurance training.
- ✓ custom-produced films to fit your individual needs.

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Please send me information on DuKane sound slidefilm projectors. I am particularly interested in—

- ☐ "pre-packaged" economical films and records
- ☐ custom-produced films and records

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Changes In The Field

Mutual Of New York

Charles A. Wagner, manager at Pueblo, Colo., has been named manager of the new managing agency at Al-



Charles A. Wagner

William A. Balfrey

buquerque, scheduled to open Jan. 1, and William A. Balfrey, currently a member of the home office sales staff, will succeed Mr. Wagner at Pueblo. Mr. Wagner joined Mutual at Pueblo and in 1951 was advanced to the home office sales staff for managerial training. Mr. Balfrey joined the company at Sacramento in 1947 and was named assistant manager there in 1951.

Massachusetts Mutual

Louis Shottland has been appointed assistant general agent at New York and will continue in charge of brokerage service. He entered the life business at New York in 1954. Roy P. McCloskey has been named supervisor at Miami. He has been in the life business for 2 years.

Joseph M. O'Dowd has been appointed district group manager at Springfield, Mass. He joined the group office at Boston in 1949 and was transferred to Springfield in 1953.

Illinois Mutual L.&C.

C. Clint Chambers of Richton Park, Ill., has been named regional superintendent of agents for northwestern Indiana. Mr. Chambers has been in the insurance business for 15 years, his most recent being executive manager of the midwest branch of California Life.

Lincoln National Life

Walter G. Schwehn has been appointed regional group manager of the company's new group office in the Fort Wayne, Ind., area. Mr. Schwehn, has been new business supervisor in the group department for past five years.

Mutual Trust Life

Jeff B. Jennings has been appointed general agent at Santa Ana, Cal., for the Mutual Trust Life. He has been with Mutual Trust since 1957, serving as assistant general agent with the Livermore agency in Pomona, Cal. Previously, he had been an agent with New York Life for 9 years.

Continental Assurance

Continental Assurance has appointed Theodore M. Nigro agency manager in Boston. He has been in the life insurance business for nine years, and has been a million dollar producer for the past four years.

Life Of Virginia

Robert N. Gibson, former field training supervisor at Baltimore, has been appointed manager at Terre Haute. Joyce L. Emory, associate manager at Portsmouth, Va., has been named man-

ager at LaGrange, Ga., and Douglas S. Churchill, associate manager at Miami, becomes field training supervisor there. Mr. Gibson entered the life field as a member of the home office staff in 1948 and was transferred to Toledo in 1952. Mr. Emory joined Life of Virginia at Spartanburg, S.C., in 1935. Mr. Churchill has been with the Miami office since 1954.

Sun Life Of Maryland

The Conti-Keller agency has been named general agents at Akron, with Maurice L. Hagemaster, formerly with an ordinary agency, as manager.

Life Of North America

James N. Sarakatsannis has been named manager at Cincinnati. He was a supervisor of Provident Mutual until 1957 when he was appointed manager of Occidental of California.

American Casualty

William R. Bucher has been named manager of all A&S lines at Detroit, and will be in charge of operations in Michigan.

Occidental Life Of N. C.

John P. Allen Jr. has been named district manager at Killeen, Tex.

AMERICAN INSURORS has named Stanley C. Walters general agent at Laurel, Miss., and Keowen H. Thames associate general agent there.

Protected Home Circle Discount

At the closing session of a special four-day sales training school for agents of Protected Home Circle it was revealed that effective Nov. 1 applicants for insurance certificates on any permanent plan issued by the society and on term certificates may have a discount on premiums based on the size of the insurance certificate. The discount per \$1,000 of insurance is graded according to the following brackets: Under \$3,000, no discount; \$3,000 to \$5,999; \$6,000 to \$9,999; and \$10,000 and over. Discounts are not available on mortgage protection riders, family maintenance, family income or double indemnity riders.

H. Bruce Palmer, president of Mutual Benefit Life, was guest speaker at the monthly breakfast meeting at the Hotel Chase of the Life Underwriters Assn. of St. Louis, November 20.

New Handbook Of Michigan Published

A new Underwriters Handbook of Michigan has just been published by the National Underwriter Co. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Michigan Handbook may be obtained from the National Underwriter Co., at 420 East Fourth street, Cincinnati 2, Ohio. Price \$12.50 each.

Indianapolis Life recorded the largest sales volume of any October with sales 38% ahead of October, 1957 moving total volume for the first ten months of 1958 to a gain of 22% over the same period a year ago.

GAMC Has 100% Enrollment In Eight Life Companies

In its company-by-company campaign to enroll every general agent or manager in General Agents & Managers Conference of National Assn. of Life Underwriters, GAMC has signed up eight companies and the ordinary department of a ninth.

The first 100% company was Connecticut General. Other companies in the 100% category are Equitable of Iowa; Great Southern Life; the ordinary department of John Hancock; Manufacturers Life; Massachusetts Mutual; New England Life; New York Life, and Sun Life of Canada.

A hand-lettered 100% award certificate has been sent to the recruiter in each company, with a request that he present it to his home office on behalf of GAMC.

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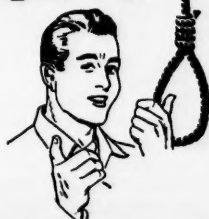
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Warns Of Danger To Agency System From Mis-Selling of A&S

(CONTINUED FROM PAGE 12)
should make sure that your existing lines are constantly analyzed as to their adequacy. Encourage your agency forces to return to their policyholders and make sure that they have the broadest possible coverage and understand its limitations, reductions and exceptions, as well as its benefits.

Suggests Program Review

"As home office officials, I would suggest that you and your fellow officers review your company employee benefit program to make sure that they are adequate in view of today's trends of costs, and that they cover your current employees as well as your retirees and future retirees. You should encourage your home office staffs to bring your line of merchandise up to date in respect to long-term broad medical and hospital expense policies—not just as far as competition causes you to do so, but farther."

Interviewer Role Important In LIAMA Tests

(CONTINUED FROM PAGE 12)

an advisory one to top management who makes the final decision. However, I think it fair to state that the CAP plays a very important part in the final decision.

It is now our regular practice to use the procedure with every man being considered for management but, because of special circumstances, there have been appointments of a few men along the way without subjecting them to this process.

Advance Interviews

When we started using CAP, we set up interviews in advance on a fairly rigid schedule. Experience has disclosed that to avoid interference with other activities and avoid cutting off interviews inconveniently at a pre-designated time it is more practical to play it by ear, so to speak. We work in the interviews and paper work as seems most convenient, as we follow through with each man.

This may sound somewhat disorganized and inefficient. Actually, in practice, we have found it works smoothly. Of course, this takes a little more of my time than would otherwise be so and complete cooperation from all interviewers is essential. On several occasions we have had two candidates going through the CAP at the same time and have been able to handle both of them with little confusion or dislocation of agency department operations on this basis. Admittedly some rapid footwork was necessary at times.

After three years, "CAPping" has become routine with us. Our CAP team can spring into action on practically no notice. When regular interviewers are away, we have substitutes, but this is not completely satisfactory. When possible we plan for CAP when all interviewers are available or at least when certain key men are at home.

CAP Is Here To Stay

Home office reaction to the CAP has been favorable. As a result, it has become a part of our regular operation. While we may continue to make changes from time to time, I believe the CAP is with us to stay. We are about to make a complete analysis and reappraisal of CAP before the first of the year. It is my guess that top management will continue to feel that this is a tool for management selection which is more effective than methods previously used.

We must recognize that the CAP is not a push-button procedure, which automatically comes up with the right answers. It has many limitations. We know that we have made mistakes with it. We know that the results are severely limited by the skill of our interviewers. We realize that when dealing with people there are no mathematically correct answers and that we can never avoid the fallibility inherent in us when passing judgment on another individual.

Stalson Insurance Administration School Announces Seminar

The School of Insurance Administration will give its seventh seminar in life company management at the Lake Placid Club, Lake Placid, N.Y., beginning May 17-June 12.

J. Owen Stalson, director of the school, said this will be one of two management seminars given by the school this spring, the other being scheduled March 15-April 3 at Savannah, Ga., for executives of Life Insurance Conference companies.

The faculty of this year's Lake Placid seminar, as in past years, will be drawn largely from the ranks of leading executives of life companies from coast to coast. Company presidents, vice-presidents and executive heads of various departments will participate in both the lectures, problem analyses and discussion sessions.

The topics to be covered in seminar sessions include approach to top management, agency administration, underwriting, investments, claims and settlements, controllership, office automation, administrative techniques, coordination and control, organization of a life company, public relations, work standards, legal aspects, techniques of supervising, management development, personnel administration and leadership.

S. S. Future Is Topic Of U. S. Chamber Talk At National Meeting

(CONTINUED FROM PAGE 8)

visions in the law within the next few years. "While I doubt that there will be that much new legislation, repeated and substantial amendments may be taken for granted," he said.

Another point in the long-range legislative outlook in social security Mr. Kendrick said, was that "It is another virtual certainty that he will have to pay more social security taxes in the future than he paid in the past or than he is now paying."

For years, he noted, the maximum social security tax per employee was \$30. By steps this amount has reached \$94.50 in 1958. In order to pay for benefits now available under the present law to the fast growing number of persons coming onto the beneficiary roles, latest amendments to the law provide that the social security tax will be \$120 in 1959, \$144 in 1960 and on up by steps to \$216 in 1961 and thereafter. If benefit provisions should be liberalized even further then still higher taxes will be needed.

Benefits Broadened Two Ways

Congress, Mr. Kendrick said, can liberalize benefit provisions of the social security act in two broad ways. It can simply increase the monthly benefit amounts of people already on the beneficiary roles, or it can adopt provisions to enable more people to receive benefits at the existing level.

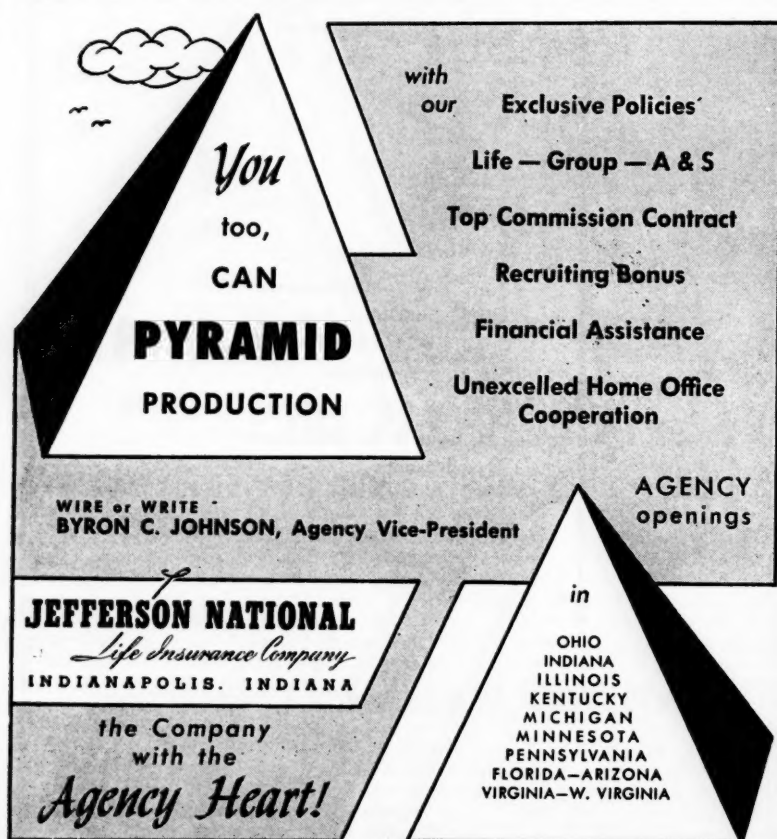
History shows that Congress, on the whole, would rather add to the number of beneficiaries than to increase the benefit level, he said. Therefore as a third point in the SS legislative outlook, Mr. Kendrick said, "The man now 40 stands a fair chance of eventually receiving benefits of some new type not provided by federal law, of receiving some present type of benefits for which he would not meet present eligibility requirements."

Mr. Kendrick said that he felt the purchasing power of social security benefits would vary in the next several decades. He looked at it this way: "Benefit increases are likely to pull ahead of price increases in the near future, but before the man now 40 is qualified for benefits, prices are likely to start pulling ahead of benefits—the purchasing power of prospective benefits thus starting to decline."

Benefits Can Change

Mr. Kendrick pointed out that since the American worker is dependent upon Congress for the future of the social security program, he must realize that benefits are not firm in the sense of being unchanging and contractual. While there may be no way of achieving absolute security for the future, to rely on social security completely for "a basic floor of protection," rather than on what one can do for oneself is of questionable wisdom. "As I see it," Mr. Kendrick said, "the man planning for financial security and retirement should aim at building up an income for himself that will be sufficient for basic necessities."

Mr. Kendrick also said, "Social security, I think, should be used by the man with his own retirement plans as something nice to have, which will probably enable him to enjoy more comforts in retirement than he would otherwise be able to afford. But he should not view it as more basic or fundamental than what he has built for himself."



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How To Get Work Simplification Put Into Effect

CONTINUED FROM PAGE 11)

and the person completing the projects. A copy of this report is sent to the methods division; and each quarter, a summary of these projects completed is presented to our president, and also distributed widely to all the officers, supervisory people, graduates of work simplification round tables, and everyone else who has participated in the program and whose ideas have been used to work out projects.

This quarterly report gives us a description of each project, the results achieved, and also has a covering page which summarizes number of hours saved. Naturally, there are projects, sometimes of real importance, to which no monetary savings can be attributed. These usually fall in the area of improvements in service or earlier availability of records and reports. Another means of stimulation which we use is personal contact with the departments and the graduates who have been trained in work simplification, by members of the methods division who instruct and help to guide the program.

Feared Going Stale

But even with all these means to stimulate and keep enthusiasm high, we hit a period where we thought we were going stale. This is one of the problems I told you about earlier, the solution to which is another key to an effective work simplification program. Our feeling was that the department heads had drifted away somewhat from the program and needed to spend more of their time in guiding the people under them.

To help with this, we set up a very simple reporting system whereby the department head advises his vice-president of the work simplification project plans for the coming quarter and the amount of time in which each graduate plans to spend during the coming quarter in working out these projects. We also have each graduate report to his department head on a monthly basis concerning his progress in work simplification. This extra bit of control helps to bring the department heads closer to the people who are working on the actual projects. We find that closeness breeds interest; and interest, in turn, means better results.

And just what are these results? At the end of this month we will be reporting continued annual savings of around \$100,000. Over 420 projects have been completed, installed and reported on by our graduates. These projects in dollar savings represent in part, some 40,000 man hours which have been saved in the same period of time. This, of course, does not take into consideration any of the intangible benefits from the program. Some people claim these are every bit as important as dollar savings.

Cooperativeness Is High

We found that by supplementing our methods activity many of the small problems of the "put-out-the-fire" nature have been worked out by operating people in the departments who were trained in work simplification. The spirit of cooperativeness and helpfulness on other methods surveys is at an all-time high.

We are especially pleased and proud of the extent of participation among our employees in this program. As I said before, we have trained about 50 people in the formal training pro-

gram. These people are those who produce results through their own efforts in carrying forward the activity as a whole. But the most gratifying result in this area is that literally hundreds of people in our company participate in this program. We get ideas for projects from all levels of employees from our president down to the newest clerks. I believe that we were really successful in promoting a positive, constructive approach to ways of improving work.

Other Clues Given

A few other clues to an effective work simplification program—be certain that the man who carries the responsibility for the program, the construction, the coordination, the selling, the follow through, has the background and aptitude for the job. Don't make the mistake of asking a boy to do a man's job.

One of the reasons why our promotional campaigns have been as effective as they are is that an assistant vice-president, who has a real flair for this field, works very closely with us. Also, don't let your top people, who start the program, get too far away from it. They can delegate responsibility and bring others into it, but keep them feeling that they're part of the team even if they are sitting on the bench by choice, most of the time.

Any company that approaches work simplification with a true desire to have an effective program and that is willing to touch all the bases on the way to home plate will find the scoring is heavy. This is a guarantee which I can make personally, and which anyone who has been part of a successful work simplification program will uphold.

Alabama Insurers Elect

Andrew J. Lewis, president of Vulcan Life, has been elected president of Assn. of Alabama Life Insurance Companies to succeed Frank Samford, president of Liberty National Life. Other officers elected were Jeff D. Henry, Guaranty Savings Life, vice-president, and W. R. Lathrop Jr., Southern Life & Health, secretary-treasurer.

Elected to the executive committee were William J. Rushton, Protective Life; R. C. Collier, Mutual Savings Life; W. O. Crawford, Southern United Life, and Dr. James R. Garber, Physicians National Life. Mr. Samford will serve as an ex-officio member of the committee.

Pilot Life Insurance In Force Increases 11% In Nine Months

Pilot Life's insurance in force for the first nine months of this year increased \$89,887,000, a gain of more than 11% over the same period in 1957. Sales for all divisions—ordinary, group and combination—totaled \$175 million for the year to-date. Total insurance in force at the end of the first three quarters was \$1,432,988,115, a record.

Webster Speaks In Indiana

The Indiana Home Office Underwriters Assn. was the guest of Lincoln National Life of Fort Wayne at its regular monthly meeting. The hosts arranged for Andrew C. Webster, vice-president Mutual Life of New York, to speak on "Responsibilities and Functions of an Underwriter."

memo to home
office executives

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Evidence Lacking That Agents Like Multi-Line

(CONTINUED FROM PAGE 4)

I think the public in general couldn't care less. This is because they haven't thought about it and it is not surprising that they haven't.

On the other side, there are signs about the future which might have some indications for our thinking about all-line. They say generals have a tendency to plan for the last war. Maybe we have a tendency to plan for the last generation. Let's look at just one fact about the nature of the market we may expect in 11 short years.

By 1970 the Bureau of the Census estimates that our population will have increased by 22%. So we'll have more people—but what kind? Well, there'll be 28% more people under 20 years of age, 62% more between 20 and 24, 23% more between 45 and 50 and about 30% more about 65. But there will only be 1% more in the 25-44 age group.

So, the whole age balance of our population will be radically changed by 1970 and the change will mean a sharp drop in the proportion of people in the 25-44 age group.

So what?

Well, let's think about our business—to whom are we now selling life policies? Two-thirds of all policies sold by ordinary life agents to male adults go to men between 25 and 44—as a matter of fact, 40% go to men between 25 and 34 alone. Can we afford to use the sales techniques that produced this situation in the population of 1970? Maybe so, but I doubt it. Some fascinating problems and possibilities lie here for both life and property, but let's take a look at the other side of the coin.

Where do we get our life agents? In 1957 we got 78% from the 25-44 age group. But wait, where do most other industries get their labor forces—mainly from this age group. What kind of dog fight for these desirable, productive people are we going to be in by 1970?

Will Be In A Dog-Fight

Unless the slack can be taken up by the men under 25 (and I think this is impossible for other industries if not our own) or by the men over 44 (which I think very improbable), the answer is that we are going to be in a dog-fight indeed. You are well aware of what the major weapon in such fights is—money. Even now in life, we are financing over 80% of our new recruits at a median figure of \$417 per month.

In the kind of situation I envisage in 1970, this percent and median, particularly the latter, will rise very sharply. Unless something revolutionary occurs in our recruiting methods, I predict with some confidence that we are in for a smaller agency force in proportion to our total population and a larger expense in training and supervision to fit the agent to do a good job.

I have a theory that the basic cost of our business is the cost involved in placing a reasonably adequate agent in the presence of a reasonably good prospect. Everything I have just said implies that this cost is ready to skyrocket. There appears to be only one way of adjusting to such a situation. We must somehow ensure that the return received by the agent and his company from each contact with a

prospect is sufficient to justify this cost. The agent will have to sell more and more often per interview than ever before. Indeed, only if he does this can we hope to fulfill our responsibilities to the increased number of people in our population.

Some signs of the kinds of things that may be done in answer to this demand are already apparent. Some people, like our drugstores, have decided that we must provide each outlet (in our case the agent) with a broad portfolio.

Finds Demands Filled

"Why," they say, "should we put out all this dough to get our agent into the prospect's home, only to have him walk away because the life insurance needs are already fulfilled? Why not equip him to point out and satisfy other needs for protection—fire, casualty, mutual funds?" There is much to say for this argument, if (a big word here) any sizable number of men will, by training or inclination, actually sell and service an all-line clientele. So far as I can tell, no one really knows about this. We need to

Will agents who are given an all-line portfolio really develop an all-line clientele? I want to be sure to make myself clear on this. I know there is plenty of evidence that there are agents who can sell life, fire, casualty, liability, et al. What we don't know is whether most agents sell all lines to their clients or life to one group, fire to another, auto to another, etc. I think less all-line agents have all-line clienteles than we like to think. I know that some good agents in all-line companies have told me that they don't like to sell more than one line to a client. I don't think their reasons are very good but they're not absurd.

More Research Needed

In any case, isn't a lot of talk about all-line as the hope of insurance pretty silly until and unless we find out what agents do with an all-line portfolio under the selection, training, and supervision that exist now? Shouldn't we be wondering what kind of selection, training, supervision, compensation, and service requirements are needed to produce and maintain true all-line agents? Remember, the important thing is to make the sales call more productive. This is not accomplished by selling more different policies to more different people.

In short, it will not surprise you to find that I think the all-line issue needs more light and less heat. To far, it seems to me, the discussion has been based on two assumptions, the first of which (public demand) I believe to be untrue and the second (agent ability and willingness to provide all-line selling and service) I believe to be unproved. This still leaves some other big questions largely unexplored—like the feasibility and applications of all-line agency departments, all-line underwriting, all-line compensation, all-line claims, all-line billing, etc.—which must be examined before major decisions can be made. As we perceive a desire of our membership for information on these questions, we shall try to get it. It is complex and it takes time, but it might just save us from some bad mistakes

III. Federation Gets Legislative Preview

(CONTINUED FROM PAGE 10)

Mr. Freilich, in his brief remarks, commented that the type of full-house attendance which marks the annual meetings is indicative of a spirit which is essential if the federation is to have any potency in dealing with legislation. He pointed out that the federation is the only organization in the state which embraces all segments of insurance. It is dedicated to the study of all legislation affecting any phase of the business.

Urges Unity Of Action

Now is not the time for divergence, he urged, but rather of unity of action.

Sen. Arrington, who formerly was chairman of the house judiciary committee, said he is not yet sure how the elections will affect the next legislature, but it is almost a certainty that there will be more bills needing scrutiny. In the last legislature there were 2,314 bills introduced of which 263 more or less directly affected insurance and an estimated 345 had an insurance impact. He reviewed the types of bills the legislature is confronted with in the insurance area.

Mr. Arrington said it is difficult to evaluate the imponderable of the failure in Illinois to obtain passage of the court reform bill. There is a tremendous cost in the delay of trying cases, he remarked. Companies have to hold witnesses for four to five years.

There is an enormous financial problem with which a legislature has to deal, Mr. Arrington continued. In 1921 the total government cost in Illinois was \$125 million, but today the predicted cost for public aid alone is \$450,000. He said he thinks there will be heavy pressure for extension of unemployment benefits, perhaps up even to nine months and with recommendations that there be employee contributions. This Mr. Arrington characterized as a back door approach to the cash disability program which has been pushed in Illinois for a number of sessions.

In Precarious State

Mr. Gerber introduced his remarks with a comment that insurance is perhaps undergoing its most precarious moments. The perpetuation of state regulation is in the balance, with the responsibility upon the states to improve their position beyond the possibility of a call for dual regulation or federal control.

It is not the intent of the state insurance department to harass the insurance business, Mr. Gerber said, but it is necessary that there be recognition of weaknesses and action taken. The Illinois department has lined up a number of proposals which Mr. Gerber said he believes are necessary. Among these he listed:

—Prohibition of the organization of burial societies (there are about 20 burial societies in Illinois which Mr. Gerber said have not gone anywhere and aren't going anywhere).

—An increase in the capital and surplus requirements of stock companies and in the surplus requirements of mutuals and reciprocals.

—More control of insurance company security sales (this is a serious problem in some states, Mr. Gerber said, and is one to avoid in advance in Illinois).

—A requirement that master group contracts emanating in Illinois or elsewhere obtain department approval.

—A change in surplus line company requirements so that there will be equal financing on the part of these companies with what is required of the Illinois companies.

—Provision to make electronic and similar computing data an admissible asset of insurance companies.

—The passage of a credit life and credit A&H bill, which the director termed a "must."

—A bill to allow a quicker take-over of companies on the verge of collapse. Mr. Gerber said in Missouri the department can move in when a company is in bad trouble and be of assistance in salvaging it or liquidating it with the least possible pain. Something of that nature is needed in Illinois.

—A bill to allow the department or the liquidator to reinsure the balance of the term of unexpired policies of companies in bankruptcy.

—A bill to recodify the investment section of the Illinois code.

—Legislation on the fair trade practices similar to that already enacted in 44 states.

—A measure to bring real estate investments of life companies up to the 10% provision of the casualty companies.

—A bill to require that amendments to company by-laws be filed with the department for approval.

State Mutual October Ordinary New Business Is \$17.7 Million

State Mutual's October ordinary sales established a record with more than \$17.7 million in new paid business. Annual new premiums for individual A&S policies totaled more than \$53,029, as compared to the September record of \$51,377. October group life sales were \$16,347,000, another high and more than double 1957 October sales of \$8,066,000. Total annualized group premium production for the first ten months was 62% over

the same period last year, and production for the month exceeded October, 1957, by 15%.

United Life & Accident Sales Increase 28% In Nine Months

United Life & Accident's paid for business during the first nine months of 1958 amounted to \$66,702,160, an increase of 28% over the same period in 1957. Life in force rose from \$282,397,376 to \$323,485,591 during the nine month period. New ordinary business totaled \$288,552,945, a gain of 37%.

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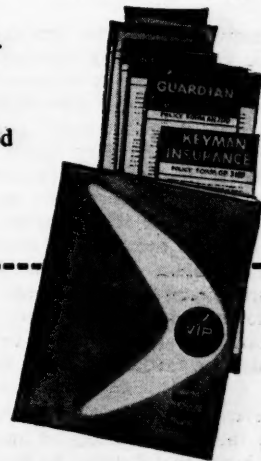
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R. J. Wetterlund, president of Washington National, with Foster F. Farrell of National Fraternal Congress, Leo J. Cavanaugh, chairman of Federal Life of Chicago, and William A. Seely, western manager of Crum & Forster, at the Illinois Insurance Federation meeting.

Editorial Comment

Which Agency System Is 'American'?

The shock of seeing the over-used term "American agency system" employed meaningfully, as it was by 2nd vice-president Ardell T. Everett of Prudential in his talk at the recent LIAMA annual meeting, jolted us. It reminded us of how frequently the word "American" is tossed in ahead of "agency system" in the sort of automatic, superfluous way that the name of a state is rarely uttered by a political orator without having "the great state of" in front of it.

Mr. Everett was talking about nationalized insurance as a threat to all types of selling insurance through agents in the United States, so it was appropriate to indicate that he was not talking about a threat to the agency concept worldwide. But "American" is so often used rather unthinkingly when it adds nothing whatever to the meaning that we wonder whether "American agency system" as a designation isn't getting to be more of a liability than an asset to the insurance business.

First, it attempts to give special status to a particular type of agency setup by attaching to it the semantically powerful word "American." That's fine—but it makes it too easy for the espousers of some other agency system or the no-agency system to ridicule the "American" tag as a futile attempt of its users to claim a uniquely patriotic or time-hallowed status. Is there a British, French, or Canadian agency system in use in this country, thereby necessitating the term "American" to distinguish the indigenous variety from the imports?

Second, the term "American agency system" is used to cover such a variety of agency setups that about the only definition of it that would hold water is that it is any system whatever used in the United States. In the fire-casualty business, for example, where the term originated many years ago, it means an agency system totally different from anything that has substantial acceptance in the life business.

As a matter of fact, the typical life insurance agent-company relationship is very similar to that of the so-called direct writers in the fire-casualty business and their "captive" agents. These companies and their agents are anathema to the old-line, militantly independent general insurance agent, who would consider it an outrage for a home office to even suggest sending out his premium notices for him. They are precisely the people he means to exclude when he uses the term "American agency system" to apply to his own method of doing business.

And even within the life insurance business there is a variety of agency plans so broad that it would be hard to call the aggregate any special kind of agency system, American or otherwise, except of course in the undisputed sense that it is found in America. On that basis, we should be

referring to the "American financing system for agents," the "American inspection system," "the American group insurance system," and the "American electrocardiographing system."

We believe it makes more sense and is strategically sounder, in the long run, just to refer to the system of selling insurance through agents as the agency system. When you do that, it actually puts more stress on the "agency" aspect, because when the word "American" precedes it the reader or listener subconsciously gets the idea that there is an actual threatened conflict between the American agency system and some un-American or non-American system that is getting a foothold.

We hope our mild comments on a useless cliché will raise no one's blood pressure. The agency system will be stronger if it is allowed to stand by itself, without resort to any patriotic crutch.—R.B.M.

Personals

H. Dixon Trueblood, vice-president in charge of public relations and advertising for Occidental Life of California, has been elected a director of Public Relations Society of America.

G. R. Kendall, a co-founder of Washington National and retired chairman of the finance committee, has received an honorary doctor of law degree from Harding College, Searcy, Ark.

Edward J. Schmuck, general counsel of Acacia Mutual, is recuperating after an ulcer hemorrhage and expects to be back on the job this month.

Leonard B. Harmon, general agent of United States Life at New York, is a member of the Fishbein bridge team which has won the team-of-four bridge championship of the United States.

Stocks

By H. W. Cornelius Bacon, Whipple & Co.
135 S. LaSalle St., Chicago, November 18, 1958

	Bid	Asked
Aetna Life	224	230
Beneficial Standard	174	184
Business Men's Assurance	92	96
Cal.-Western States	109	114
Columbian National	121	125
Commonwealth Life	29	30
Connecticut General	346	351
Continental Assurance	167	173
Franklin Life	89	92
Great Southern Life	88	92
Gulf Life	27	28
Jefferson Standard	92	95
Kansas City Life	1640	1700
Liberty National Life	46	47½
Life & Casualty	23	24
Life of Virginia	58	60
Lincoln National Life	236	240
National L. & A.	108½	110
North American, Ill.	22	23
N. W. National Life	90	Bid
Ohio State Life	335	350
Old Line Life	57	61
Old Republic Life	25	27
Republic Natl. Life	55½	57
Travelers	97½	99½
United, Ill.	55	57
U. S. Life	52	53½
Wisconsin National Life	65	70

Deaths

ISADORE P. MANTZ, 86, consulting actuary for many life companies, died in Denver. He had also been a consultant for various state insurance departments. He was born in Versailles, France, and for many years taught mathematics in Illinois. His son, Paul N., is president of Homesteaders Life of Des Moines.

ALEXANDER M. CAMERON, vice-president and controller of Great Southern Life, died. Mr. Cameron was an accountant for many years before joining Great Southern as an auditor in 1932. He became a director and assistant vice-president, and in 1948 he was named to the position he held at his death.

Program Complete For Counsel Meeting At New York, Dec. 8-9

The program for the 45th anniversary meeting of Assn. of Life Insurance Counsel at the Plaza Hotel in New York, Dec. 8-9, has been completed and the first business session Monday afternoon will open with an address by Thomas E. Dewey, former governor of New York.

Mr. Dewey will be followed on the program by Horace R. Baker, associate counsel of John Hancock, who will discuss employee rights under collectively bargained group plans. W. Calvin Wells III, vice-president and general counsel of Lamar Life, will then speak on the life insurance law of Mississippi.

Roland Maycock, associate general counsel of Metropolitan Life, and George P. Jenkins, 3rd vice-president of Metropolitan Life, will close the Monday session with a discussion of industrial loans.

The Tuesday business session will begin with a speech by Douglas S. Henry Jr., assistant general counsel of National Life & Accident, who will outline some of the legal problems in connection with electronic equipment.

Paul L. Wise, assistant counsel of Fidelity Mutual Life, will discuss good public relations in claim administration, and will be followed by James L. Moorefield, assistant general counsel of Paul Revere Life, who will cover the status of advertising rules under recent Supreme Court decisions.

The final business session will conclude with a panel discussion, "This Troubles Me," moderated by James Andrews Jr., assistant general counsel of Life Insurance Assn. of America.

Panel members will be Robert P. Ely, general counsel of Life of North America, whose talk is titled, "Button, Button, Who Owns The Policy?" and Lloyd Elliott, general counsel of Great American Reserve, and Otis Lamont Frost Jr., associate counsel of Occidental of California, who will discuss doctors' fees in relation to A&S coverage.

\$4.5 Million Financing Given Armstrong Rubber By Life Insurers

Armstrong Rubber Co. of West Haven, Conn., has received \$4.5 million of financing for expansion from a group of four life companies. The companies and the par amounts of 15-year notes due in 1972 are Massachusetts Mutual, \$1.5 million; New England Life, \$1.5 million; Connecticut Mutual, \$1 million, and Provident Mutual, \$500,000.

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The National
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Life Insurance

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PHILADELPHIA 9, PA.—133 S. Broad St., Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

ST. LOUIS 2, MO.—221 Pierce Bldg., Tel. Chestnut 1-1634. Geo. E. Wohlgenuth, Resident Manager.

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Tax Base Needs More Than Excess Interest

(CONTINUED FROM PAGE 2)

plans. The latter are wholly exempt from taxation.

Daniel J. Lyons, vice-president of Guardian Life, expressed the mutual committee's opposition to the use of excess interest as the only proper taxable income for a life company.

"This theory has been the underlying basis for the federal income tax on life companies in the five different laws enacted in the past 37 years," he said. "All of these laws have failed to do the job properly. Certainly the excess interest theory has had an adequate trial. It is significant, I believe, that the statutes have never applied the theory completely on a company-by-company basis.

"For example, the 1955-57 stop-gap law ignores individual company requirements and assumes that in each company 85% of interest earned is the required interest. This means that the tax base is 15% of interest earned. Except for a reduced rate on the first million of taxable income, the tax is 52% of 15%, or 7.8% of net interest earned.

Says Reasoning Is Wrong

"While some may think of this law as merely a tax of 7.8% on net earned interest, it is actually based on the excess interest theory. The same is true of all proposals I have seen for a tax formula based on net earned interest.

"Among other defects in the excess interest laws of the past is the fact that deductible expenses were limited to approximately one-quarter of 1% of assets. None of the expenses of bringing in the funds or of maintaining equitable relationships thereafter are allowed. This was necessary when the theory was adopted, because of the exemption of the investment income the companies assumed they would earn. Had these other expenses been deductible, the tax base would have vanished. It was thus an artificially constructed compromise."

Mr. Lyons said that what is needed is a new law "based on a sound theory which will be fair both to the government and the 110 million policyholders who must foot the bill. We also need a tax base which has a reasonable chance of permanence."

Gives Reasons For High Taxes

Using a series of colored bar charts to demonstrate how heavily life insurance is taxed, Houghton Bell, vice-president and general counsel of Mutual of New York, said the very high taxes on income from life insurance savings are due to: (1) the collection of federal income taxes from the companies themselves under a tax formula which does not give the companies a deduction for most of their expenses, and which takes no account whatever of the tax rates applicable to the individual for whose account the income is earned and applied, and (2) the state premium taxes, "which are unparalleled in relation to any other form of thrift."

Advantages Listed

Also speaking for the mutuals' committee, Robert E. Slater, vice-president of John Hancock, listed these advantages of the total receipts approach advocated by the group:

- Places life companies on the same taxation basis as other corporations.
- All income and receipts, after proper deductions, are made subject to federal taxation.
- Except for the operation of the "floor" provision, it places the method

Forum At LIAMA Meet Stresses Communication

(CONTINUED FROM PAGE 6)

Following are some excerpts from Dr. Nichols speech:

"By far the most effective method by which executives can tap ideas of subordinates is sympathetic listening in the many day-to-day informal contact within and outside the work place. There is no full-blown system that will do the job in an easier manner. Nothing can equal an executive's willingness to hear.

"It has been found possible to eliminate, or at least to minimize, these bad listening habits that have been isolated in many diverse studies:

"1. Don't call the subject uninteresting. There are no uninteresting subjects, only uninterested listeners. Learn to listen for something usable, worthwhile.

"2. Don't criticize the speaker's delivery.

"3. Don't get over-stimulated (equally deadly twin of under-stimulation); undue attention to one or more points causes the listener to miss the rest of a discourse. Learn to withhold evaluation until comprehension is complete.

"4. Don't listen merely for facts. Listen for the main idea.

"5. Don't try to make an outline of everything you hear.

"6. Don't fake attention. Listening is not relaxed and restful, it's hard work. Attention is a collection of tensions.

"7. Don't create or tolerate distractions.

"8. Don't avoid or ignore difficult or expository passages. Accept it as a challenge if you would become an experienced listener.

"9. Don't trip over emotion-laden or personally prejudicial words and be thrown out of tune with the speaker.

"10. Don't let your swifter mental processes outrun the necessarily much slower oral exposition. Keep abreast by mentally recapitulating, analyzing the supporting evidence for the points made, trying to guess the next point. Listen between the lines for hidden meanings. Progress longitudinally with the speaker, not tangentially."

of taxation on an individual company basis.

—The "floor" provision in HR 13707 insures a minimum level of revenue to the government; it tends to avoid any serious disturbance to the present incidence of tax among the various companies, and prevents discriminatory advantages, if any, being afforded mutual companies.

—It eliminates discrimination of tax placed on earnings of pension funds.

—It eliminates double taxation existing on investment earnings of annuities, deposits, etc.

The fifth speaker on the mutual group's team was Roswell Magill, the committee's counsel. He outlined the general considerations involved in imposing a fair tax on life companies.

Because of the great number of witnesses at the Ways and Means subcommittee tax hearing, the scope of their testimony, and the fact that a good many were scheduled to appear after the deadline for this week's issue and did not have advance copies of their statements, it was not possible to report on all the testimony in this issue. These witnesses will be covered in next week's edition.



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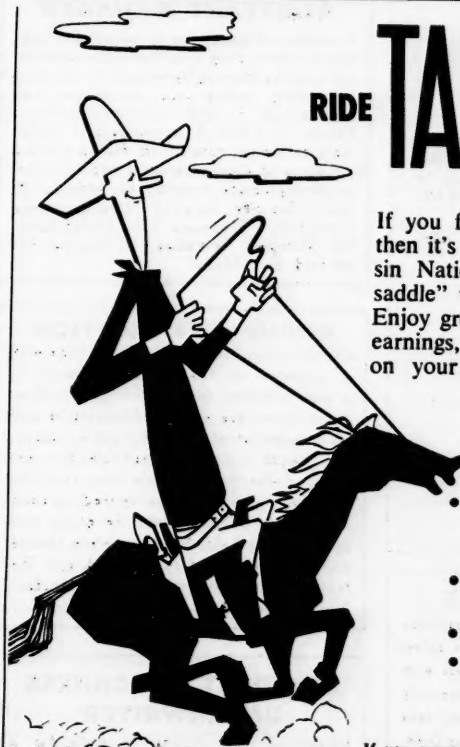


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Scores High Early Cash Value Contracts

(CONTINUED FROM PAGE 1)

issue no policy contract, hold out no promise of net cost, which does not maintain equity between individual policyholders, between classes of policyholders and between policyholders and beneficiaries, as that company sees this equity.

"Over and beyond that, every company must ask itself certain soul-searching questions in regard to every action it takes. Among these questions are the following: 'Is it good for the company?' 'Is it good for the field forces of the company?' 'Is it good for the policyholders and beneficiaries of the company, both old and new?' 'Is it sound in the long run or is it merely expedient?'"

"Our own company cannot see how,

in equity to all classes of policyholders and beneficiaries, both old and new, it can issue a full reserve cash value policy unless, at the same time, it does one or more of the following: (a) increases the gross premium; (b) decreases the dividends and therefore increases the net cost, and (c) decreases the first-year commissions as compared to other policies of a similar nature which bear surrender charges similar to those borne by other types of policies issued by the company.

"There is reason to believe that the lapse rate on high cash value policies may be even higher than those on policies having the usual cash value. But even if a higher lapse rate does not result, but merely the same lapse

rate as is experienced on other policies, the drain on the surplus of the company becomes greater, unless the company has put into effect offsets to such a greater drain.

Lists Other 'Sticky Questions'

"There are some other sticky questions which concern me in connection with the high cash value policies. Without other offsets, how can you justify a higher cash value on one type of contract than on all other contracts which you issue?"

"If you do cut first-year commissions, do you not put the agent in a most unfair position? Shall he recommend to his prospect your regular policy, with full commissions, or will he recommend your high cash value policy, with reduced commissions? It could be pointed out that the agent should recommend that type of policy which best fits the needs of the prospect, but who among us has the infinite wisdom to clearly see what the best future needs of the prospect may be?"

Would Need Clairvoyance

"If we were sure as to when he would die, or if we were sure as to when, if ever, he would need to borrow against the policy, or if we were sure as to when he might have to discontinue the policy due to reasons beyond his control, then we could be reasonably sure of just what to recommend to the prospect. But if those conditions did exist, the need for life insurance as we know it would not exist.

"Another sticky question involves the position of the buyer himself. How can you answer the buyer of a normal cash value policy who finds it necessary to either borrow against or cash in that policy in the early years when he raises the question as to why the policy for which he paid approximately, if not exactly, the same gross premium as the buyer of a high cash value policy, gives him a considerably lower cash or loan value than is available to his opposite number who has purchased the high cash value contract?"

Hasn't Found Answers

"Suffice it to say that we have not found satisfactory answers to these questions. That does not necessarily say that some of our competitors have not found the right answers.

"In any event, we feel very strongly that there is no right way in which to do a wrong thing. And although we would like to have the increased volume of business which a high cash value policy might yield as much as the next fellow, we have been guided by the thought that it is better to excel than to exceed."

Mr. Zimmerman said "it is most encouraging" that the New York department has called a conference on minimum deposit plans but "it is somewhat discouraging that the department found it necessary to do so.

"It would be much better," he said, "if the business could settle such problems voluntarily and of its own accord. Undoubtedly the fear of anti-trust violation makes it difficult, if not im-

O'Connor: Forand Bill Again On Way

(CONTINUED FROM PAGE 2)

act went into effect in 1937, new writings went down during the following three years and went up in 1941 when employment increased due to the threat of war. "In my humble opinion the great growth enjoyed by the life business over the years due to a great extent to the hard working and well-trained field representatives and not to any government compulsory program," he said.

The basic issue is between private industry and government in the health insurance field, Mr. O'Connor stated and said the latter leads in direction only—toward the welfare state. Business and professional men and women cannot escape political responsibility. The proponents of government legislation believe in they are sincere, and they are strong organized, he said.

"To be forewarned is to be armed. I have given you the facts, it is time to stand up and be counted. Remember the only voice your representative in congress recognizes is the voice back home—your opinions. Make your views known," said Mr. O'Connor "and arouse public attention to the issue."

\$186 Million New Life Business Written In Aetna Life Campaign

A record \$186 million of new life coverage was written by agents of Aetna Life during its October "scrap" campaign. Ten general agencies produced over \$4 million during the campaign and 58 other agencies passed the \$1 million mark.

possible, to sit around the table formally and discuss such problems openly across the board."

While not issuing a high early cash value contract, Mr. Zimmerman said his company had already had isolated instances where sales on the minimum deposit plan "have been brought to our attention by dissatisfied or disillusioned policyholders."

"I have even had one or two letters from companies pointing out that we have reason to believe that permanent insurance in those companies was permitted to lapse because of the purchase of insurance in our company," Mr. Zimmerman said. "We regret the instances, and we assure you that we are doing our utmost to prevent them from occurring."

Mr. Zimmerman was one of the company executives whose views were sought for the "round-up" story of minimum deposit plans which appeared in last week's issue. He replied that he preferred to withhold his comments, in view of what he planned to say in his LIAMA talk.

STUART SMITH'S VIEW

Another executive whose views were sought was Stuart F. Smith, vice president of Connecticut General Life. Because of his absence on a trip, he was unable to send his reply in time to be included in the article last week.

After saying that Connecticut General plans to be represented at the New York department hearing Dec. 1, Mr. Smith's letter continued:

"We do not issue the minimum deposit plan or early cash value policy and it is a matter of great regret to me to see the wide abuse of this contract to replace good life insurance which has been in force for some time. We note the increase in the abuse of the resulting increase in our business from this source."

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Possibility of becoming manager of a new, rapidly expanding Life Company. Individual must be thoroughly versed in insurance accounting, policy issue procedures, and experienced in IBM insurance functions. Passing of L.O.M.A. exams helpful. Either male or female considered. Please address a résumé of your experience and minimum beginning salary required to: Marshall P. Scott, Security American Life Insurance Company of Tennessee, 2212 Sterick Building, Memphis, Tennessee. All inquiries will be held confidential.

GROUP LIFE POSITION

Excellent opportunity for a young man with a minimum of two years experience in group contract design and preparation. Some experience with trust indentures and claim administration helpful but not essential. Legal education desirable but not required. Position available because of the recent entry by a progressive medium sized mid-western company into the group and pension trust field. Send complete résumé and salary expected to Box D-45, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

ACCIDENT & SICKNESS UNDERWRITER

Exceptional opportunity to train for a management career in the Long Island regional office of a nationally known insurance company. The man we are looking for has a solid background in A & S underwriting for both individual & group; and a knowledge of Life underwriting. Excellent promotional opportunities, plus outstanding benefits. Send complete résumé to: Box NY-99, c/o The National Underwriter Co., Adv. Dept., 17 John St., New York 38, New York.

AVAILABLE

With over 10 years of thorough experience in Life, A & H, Group Sales, Management, Agent Development, Home Office. Interested in General Agent or Agency Management opportunity in south, preferable in native state of Florida. Write Box D-43, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

Wood Investigates Agent Turnover Rate

(CONTINUED FROM PAGE 5)

almost daily. Unrealistic, because we tend to forget two things: one, the huge amount of man-hours and dollars going into total research, compared with the small amount we have to devote to it. Whether you view the comparison by the eight or 10 billion dollar annual total going into all research or by the 3 to 4% of sales dollar devoted to research by the chemical industry, the amount that is spent in all distribution research is insignificant.

"Unrealistic, however, for a still more important reason—a reason which would prevent us from spending on as elaborate a scale as, say, the chemical industry even if the money were available—and that reason is that we can't get the results quickly enough. A crash program simply would not work. Let's see why:

More Like Weather Research

"Take the chemical industry as a comparison. A mixture of pure chemical elements will always under the same physical conditions produce the same result, whether it be an odor, a color, or an explosion. Our type of research, much of it revolving around people instead of things, is different from chemical, electrical, or mechanical. The results will be slower and less certain."

Mr. Wood said that a closer analogy to the life insurance distribution research problem might be the study of the weather.

Understanding The Variables

"We understand certain of the variables that go to make up our weather," he observed, "but the accuracy of predictions has not improved very much, except by individual forecasters who use the accumulated knowledge of the science, plus and modified by their own accumulated experience—much as you have to do in working with people. . . . The promises of both studies, weather and agency management are great—if only we can understand how seemingly small causes can produce large effects and if only we can learn techniques for manipulating the small causes. Quoting weather expert Thomas Malone, Mr. Wood said: "For the weatherman, the significance is this: that when he attempts to forecast he is in reality attempting to foresee tomorrow in greater detail than he actually sees today."

Also Nub Of Life Problem

"And that, too, is the nub of your problem," he said. "In my opinion, you have the most interesting, but also the most difficult of jobs in the business, either in the home office or in the field. Why? Because you are dealing with people rather than things, and often from a distance. There are many more simultaneous variables in your problems, and more of the unknowns. And dealing with an agency situation a thousand miles away by telephone embodies some of the same problems as face Gordon Dunn sitting in his weather bureau office in Miami when he is considering that gentle zephyr just reported in the tropics. And for both of you, the wisdom exhibited in handling the problem will depend to a great extent upon your experience. There is no way to obtain experience without going through it." Mr. Wood warned that both experience and inexperience can lead to

shortsighted conclusions.

"If we are not careful, as young men we will be looking for the answer, and if the association can't give it, we may assume that something is wrong," he said. "As a more experienced man, we realize that there isn't any one answer, so we may be inclined to discount all research efforts to find parts of the answer. But few of us who are appointed to such important jobs will find ourselves so lacking in perspective as this, either as young men or as older experienced men."

Injects 'Jarring Note'

Injecting what he termed a jarring note, Mr. Wood warned that because business is good "we may be lulled into complacency—or we may take the view that the boils will not have to be lanced until another doctor is on the job and then it will be his worry."

"But don't be too sure," he said. "Years ago as a consultant I visited one of our member companies. Said a senior officer, 'In our early days when a particularly thorny problem with long-term implications came up we were apt to say, "We won't have to worry about this really for 20 years." But, Mr. Wood, the 20 years are here, and so am I—and the problems this attitude has created are beyond the ability of this management to cope with.' The management disappeared, the company was sold."

Saying that "there is a group of problems that the people in this room

can do something about, because you helped create them," Mr. Wood listed these as those connected with lapse through substitution, with selling the right thing but to the wrong person, whether it be the "gimmick" sale, or some sale predicated on tax law, or the excesses in some group lines.

"These are touchy subjects," he said, "because none of them are wrong per se; if I could give you a bad example some one of you would be able to counter with an accurate, true example of the thing done right. So I remind you of Socrates' observation that 'all evil is good carried to excess.' Fire is necessary to heat your home but if left uncontrolled your house will burn down."

"You have one agent or one agency doing something questionable. He or they can prove to you that it is to their best interest and of harm to no one. Or to switch the example for clarity's sake, you hear that your bank is not too sound, so you go down and draw out your money. No harm to anyone, and in both examples you may have benefited."

"Now multiply this. A run develops on the bank and it closes its doors. More agents do what seemed to be all right for one. Some day the doors figuratively may close for them. So let me give you a quotation which bears on this problem: 'Individual wisdom may become collective folly.'"

"One company standing alone may say if we don't do this we lose brokers, agents and business—and it may be true. Thus one is on the horns of a dilemma—any answer temporarily is the wrong one."

New York State Association Divorces Itself From Any Consequences Of Jumbo Group

(CONTINUED FROM PAGE 1)

minors" act, now enacted in a number of states, to permit custodian accounts to include life insurance as well as money and securities.

2. Modification of the present provision which does not permit more than \$5,000 on a child unless the parent owns at least four times as much as applied for if the child is under age 4½ and twice the amount on the child if he is older. The association would remove the limit where a grandparent, uncle or others were to apply for the child's insurance and pay the premiums.

Licensing The Blues' Agents

3. Amend the law to require Blue Cross and Blue Shield representatives to take license examinations and be licensed by the insurance department.

The proposal to seek legislation for "step licensing," under which an agent could sell by passing the present examination but for a limited time only, after which he would have to take a more searching test, was adopted by six of the seven areas represented. The Syracuse area associations wanted further information before voting for it.

Authorize Full Investigation

The delegates authorized the officers "to fully investigate all ways and means of eliminating—in so far as is practical—the part-time agent, the one-case agent, and or the unfit agent and to present the specific program for improving the present licensing procedure, presumably along the lines of step-licensing and to submit it for action at the earliest possible opportunity."

A novel suggestion came out of the

work shop session of the regional vice-presidents. Anthony Klug, John Hancock, Rochester, reported that the family plan is a natural for causing old policies to lapse. He suggested that if companies made a family plan rider available to be attached to any outstanding policy, it would quickly absorb the market, but more important, it would protect the old policies which are desirable for insured to keep. It would put an end to the sharp feelings that are being generated over this family plan, he declared. No official action was taken but the suggestion received favorable attention.

The unit rule was adopted for voting at national meetings. The delegates adopted the recommendation of the general committee that, hereafter, the New York state association would vote at national meetings on a unit-rule basis for candidates and officers of the National Assn. of Life Underwriters. It was felt that the voting power of the state association would, thus, be enhanced with members of the national council from other parts of the nation.

Orange-Sullivan Unit Out

The Orange-Sullivan association is no longer a member of the New York state association because of its inability to maintain officers and an active program in accordance with the requirements of the constitution. All former members of the Orange-Sullivan association will be invited and welcomed as members of nearby associations, such as the Dutchess county association or Westchester county association until such time new interest is developed for re-activating an association in Orange county.

Shanks Offers Tests Tax Should Meet

(CONTINUED FROM PAGE 1)

hand and a mutual company on the other. Mr. Shanks said that as to the business outstanding at the time a new tax law becomes effective, so far as the non-participating stock company is concerned, no tax increase falls on its policyholders because their premiums are fixed and they receive no dividends. But in the case of the mutual policyholders, all the increased tax burden falls on them through a reduction in their dividends. Thus, as far as the holders of existing contracts are concerned, all the discrimination is against those of the mutual company.

In the case of insurance contracts sold after the increased tax becomes effective, however, the situation may be quite different. Presumably, the non-participating stock company will increase its premium rates to take account of the heavier tax burden. The mutual company, however, may be able to avoid increasing premium rates and instead adjust its future policyholders' dividends in the light of future experience.

Future Dividends Smaller

If it has to pay heavier taxes, but the increase in taxes is not large enough to necessitate an increase in premium rates, its future dividends will be less than they otherwise would have been. But if through the greater flexibility inherent in the mutual method of operation, the mutual company is able to minimize its income taxes in a way not available to the non-participating stock company, then a discriminatory element could be injected where it would really hurt, namely, in the sale of future business. This should not be ignored, Mr. Shanks warned.

The objectives that Mr. Shanks believes should be sought and against which any solution must be tested he listed as follows:

1. The tax should fall equitably on (a) the policyholders of mutual companies, (b) the policyholders of stock life insurance companies, and (c) the stockholders of stock life insurance companies. Their interests are different and the solution must recognize this.

2. The tax must not put stock life insurance companies at a competitive disadvantage with mutual companies. Neither must it unduly burden the mutual policyholder in order to preserve competitive equality between these two classes of companies.

3. The solution must be one that can be understood by the public and which the public will accept.

4. The tax yield should be fair to life insurance as compared to other forms of institutional saving.

5. The basis of taxation should encourage—or at least interfere as little as possible—with the continued strong flow of the people's savings through life insurance into the economy of the country.

Massachusetts Mutual Ordinary Sales Gain 33.4% In 10 Months

Massachusetts Mutual's sales of individual policies for the first 10 months of 1958 were \$782,882,024, a gain of 33.4% over ordinary business written during the same period in 1957. New ordinary business delivered in October was \$77,138,113, an increase of 43.4% over the same month last year.



The Meyer boys, Ronald, Larry, and Fritz, with their mother, Lee, listen appreciatively as Fred plays the Hammond Organ.



Extremely active in civic affairs, Mr. Meyer has served the Red Cross, United Appeal, and American Cancer Society among others. Here, as captain of a fund raising campaign for enlarging Bethesda Hospital, he presents a check to Administrator of the Hospital, Kenneth J. Holmquist.

LIFE in Life Insurance

A principal attraction of a life insurance sales career is that, without capital investment on his own part, a person can establish a business for himself and go as far as ability and desire will take him.

Fred E. Meyer of St. Paul, Minnesota, is a noteworthy example of this. Married while in the Army during World War II, he faced a future, following his discharge, for a wife and son as well as himself.

He first ventured into politics, won a Councilmanic election — and promptly lost it on a recount! He then became a representative of The Union Central Life Insurance Company, starting a most satisfying and rewarding career, making his own family's life sound and secure by doing the same for others.

In order to purchase the things he wants for

his family, Fred Meyer is not dependent upon periodic salary increases which an employer might grant, but relies solely upon *his own ability* to earn money. To buy the home he wanted for his family, for example, he prepared with extreme care a stringent sales program; adhered to it until he had the required resources. The same thing happened when the Meyers, music loving people, wanted an electric organ. It was the same story when a swimming pool in the back yard seemed like a good idea for family fun.

It is true that Fred Meyer, with his ability, enthusiasm, and willingness to work, would have been successful in any one of many fields. He feels certain, that he was able to do it *quicker*, and more enjoyably, with The Union Central Life Insurance Company.



Lee Meyer watches happily as her husband and sons enjoy their new swimming pool.



Mr. Meyer explains a point to Herbert C. Cornell, President of the Fidelity State Bank, Minneapolis. A considerable amount of Fred's business is done with the banks of Minnesota.



Fred Meyer is Knighted by the King of the famous St. Paul Winter Carnival, while the Queen looks on. The King is Rohland H. Thomssen; the Queen is Miss Sally Shields.

THE UNION CENTRAL LIFE INSURANCE COMPANY • CINCINNATI

Security for the American Family since 1867